EARLY VENTURE BOARDS: A GROUNDED THEORY OF OPTIMISING FOR GROWTH

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Declaration

I declare that the work contained in this thesis has not been submitted for any other award and that it is all my own work. I also confirm that this work fully acknowledges opinions, ideas and contributions from the work of others.

Any ethical clearance for the research presented in this thesis has been approved. Approval has been sought and granted by the Faculty Ethics Committee on 30 January 2017.

I declare that the Word Count of this Thesis is 61,012 words, excluding references and appendices.

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Signature:

Date: 17 January 2020

Abstract

Some early boards help startups achieve exponential high growth, whereas others leave founders and shareholders perplexed on how to get any value from them. Whilst over the past ten years the research on ventures and their boards has grown considerably, very little is still known about the inner working of boards, especially during the critical early stages of startup development. What seems to be missing, is the understanding of a complex interplay between directors' attributes and behaviours, board role and processes, and venture performance in the context of unique challenges faced by high growth early ventures.

This study uses a classic grounded theory method to explore the experiences of directors on early boards of investor-backed tech startups in the UK. The investigation is done from the perspective of Venture Capital directors, which is then contextualised by looking more widely at experiences of Founders directors and independent Non-Executive directors. Altogether, data was systematically collected via interviews with 24 directors, representing experiences on boards of an estimated couple of hundreds of the UK early ventures.

As a result, the study developed a substantive grounded theory of Optimising for Growth. The findings suggest that directors on early venture boards engage in a complex process of optimising of board and director attributes, such as structures, processes, mindsets and adding value behaviours, against growth performance criteria of the next investment round. This process takes place over two stages: Evaluating and Structuring Stage and

Behaving Bigger Stage, transforming the founder, the board and the company from a startup into a high growth venture. The developed grounded theory has also uncovered that the process of optimising is the first step in the boards' longer-term efforts to professionalise startups into companies capable of delivering exit to investors via Initial Public Offering, thus providing a deeper understanding of what happens on early venture boards in context.

Having captured variations and the relationship between director attributes, board roles, board processes, value adding behaviours and company performance, the theory of Optimising for Growth also explains the differences in director experiences on early venture boards. The findings suggest the key differences arise when the early venture boards are fit for the purpose of monitoring as opposed to providing strategic help.

This study contributes to the corporate governance literature by proposing a substantive grounded theory as a novel integrative theoretical framework of the relationship between director attributes, board roles, board processes and company performance. The offered contribution integrates previously distinct perspectives from corporate governance, corporate finance and cognition, whilst also enriching the research on venture boards.

The thesis also contributes to practice by offering the theory of Optimising for Growth as a diagnostic tool for early venture directors. The tool can be used to understand, reflect and consider how to structure, align and develop the relationship between Founders and their boards.

Keywords: venture boards, director behaviour, board processes, growth

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explore and explain what makes better boards *better*. I am also evermore grateful to several anonymous VC investors, venture Founders and NEDs for lending me their ear, so I can test out my early research findings and conclusions in a safe and friendly way.

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Chapter 1 Introduction

1.0 Introduction

This doctoral study explored the experiences of directors on boards of early ventures in the UK. Ventures are understood as "privately held entrepreneurial firms with significant external equity investment from professional investors" (Garg, 2013, p.90). Their boards are usually formed as a result of the investment and they are "a primary governance mechanism" with a potential to "significantly affect firm performance (Garg, 2013, p.90). Through a systematic exploration of director experiences, this study developed a grounded theory of *Optimising for Growth*, offering a deeper understanding of the complex interplay between directors' attributes and behaviours, board's role and processes, and venture performance during the critical early stages of development.

This inaugural chapter sets the foundations for the study. The first section discusses the professional history of the author. As an ex-manager of venture capital investments and experienced board observer, the author has a degree of insight into experiences of directors of early venture boards. This insight has influenced not only the choice of the research area, but also provided a strong motivation for this project to contribute to the professional practice of venture board directors.

The second section identifies the research opportunity as relevant and important in relation to the literature. This is followed by the third section with an outline of the aim, objectives and the research question.

The fourth section summarises the non-traditional structure of this thesis. The section introduces classic grounded theory as a chosen method for this study. Grounded theory is a systematic method for data collection and analysis, which allows an in-depth exploration of previously little researched areas, and it also enables the researcher to shift from a simple description to a theoretical explanation (Glaser and Strauss, 1967). Studies employing this method follow an unconventional research process with two key distinctions from a traditional approach First, data is collected and analysed concurrently, through three stages of open coding, selective coding and theoretical coding (Urquhart, 2013). Second, the role of the literature in this process is to refine and extend the theory developed from data as opposed to locating the research area prior to the fieldwork (Glaser, 1978). Consequently, the structure of this thesis reflects this unconventional process, as opposed to following a typical outline. Thus, the first chapter concludes by summarising the thesis structure.

1.1 Professional Motivation

This study was motivated by the professional background of the author. As an ex-manager of investments at two of the UK-based Venture Capital (VC) funds, the author was involved with boards of twelve investee companies over a three-year period, noticing her experiences varied significantly from board to board. It seemed that over time, some boards were much better than others at helping startup ventures and their founders to reach potential. However, it was not at all apparent how and why these boards were different.

Some factors were obvious, for example, certain board structures and processes did not meet the need for up-to-date reporting and communication in the context of rapid changes during the early stages of venture development. This observation was also made by several prolific venture capital investors, with Brad Feld (2011, p.1) among others, calling “the default structure of a startup board… an artefact of the past 40 years”. However, other factors, were not as straightforward: all boards had experienced chairs and Non-Executive directors, as well as skilful Founders, all directors had a strong interest in the success of the startup, all twelve boards prioritised strategic discussions at meetings and added value either through introductions, Founder mentoring or industry knowledge. Yet, within three years, half of these companies have shut down.

This experience has made the author curious not only about the ‘what’ of better early boards, i.e. boards’ structures and processes, but also about the ‘how’ and ‘why’ some boards and some directors were better at getting early ventures to growth than others. Consequently, this research project was

conceived with an intention to better understand what was happening on early venture boards and to explain the differences in own experiences. The personal background has also acted as a strong motivator to make specific contributions and recommendations to the professional practice of venture board directors.

1.2 Research Opportunity

Board research is located in a research field of corporate governance, a field of rich theoretical traditions boasting well-established views on the relationship between board and director attributes, and company performance. Whilst this field possesses highly influential literature which has affected company governance regulations and director guidelines world-wide, much of the research has concentrated on mature public firms and, unfortunately, it produced inconclusive and contradictory results on the relationship between board's attributes and the company performance (Durisin and Puzone, 2009). Therefore, two major opportunities remain: researching boards of companies other than mature public firms (Dalton et al., 2007), and investigating the work of boards in their entirety, i.e. considering structural, processual, cognitive, behavioural and performance attributes as a whole (Nicholson and Kiel, 2004). This study of early venture boards helps to address the two opportunities.

The opportunity to research different types of companies comes from the foundation of the current literature on a single company context – boards of mature large public firms (Dalton et al., 2007). As it currently stands, the corporate governance field lacks insight from company context other than mature public firms, even though research of boards in other contexts, such as family firms, startups and non-profit organisations, as well as different geographies, other than the US and Europe, is growing. Researching boards of ventures have been recognised as an important priority for the field, especially since ventures themselves have become "economically relevant"

(Garg and Furr, 2017, p. 326) “crown jewels” of many countries (Gilson, 2003, p.1068). Examples of such ventures include companies, such as Airbnb, Uber and Deliveroo, which have not only redefined traditional industries, but also, become central to employment policies and economic growth across continents (Achleitner and Klockner, 2005, Audretsch and Keilback, 2006, Brown and Mason, 2014).

The opportunity to investigate the work of boards in their entirety has arisen from many calls for understanding and theorising about the relationship between how different board and director attributes interact with company performance (Pye and Pettigrew, 2005, Roberts et. aI., 2005). As it was briefly mentioned above, voluminous board studies have produced inconclusive and contradictory results (Durisin and Puzone, 2009). This is largely due to their emphasis on separately researching board attributes, such as board structures, board roles, processes or a single board activity against their effect on company performance, as opposed investigating the work that boards carry out in their entirety (Nicholson and Kiel, 2004). Arbitrary inferences have been made to connect boards structures, roles and processes and company’s outcomes (Pye and Pettigrew, 2005). There seems to be a neglect of the bigger picture: the fact that boards carry out multiple roles at the same time, and their structures, processes and purposes are inter-changeable in their nature, as well as over time, often reflecting, among other things, context, industries, stage of development and type of challenges faced by the companies (Nicholson and Kiel, 2004, Kaufman and Englander, 2005). For example, boards of publicly trading mature corporations are mostly structured, organised and function to be effective

monitors of the CEO and performance, and they are legally responsible for that (Roberts, McNulty and Stiles, 2005), whereas boards of startups tend to be structured and organised to offer valuable strategic advice and other resources, although investor-directors also monitor performance (Garg and Furr, 2017). Thus, it appears that boards of directors, their roles and the relationship with the company performance, are more complex in nature than traditional corporate governance literature argues. As the 2008 financial crisis and corporate scandals have so painfully illustrated, there is a need for research into better understanding of boards as a whole, as opposed to prescribing which structural or process characteristics lead to which specific outcome (Hermalin and Weisbach, 2003, Durisin and Puzone, 2009). This study of early venture boards helps to address that.

1.3 The Research Aim, Objectives and Research Question

Having established the research opportunity, the aim of this study is two-fold: first, to understand what happens on early venture boards, and second, to develop a theoretical framework for the complex relationship between directors' attributes and behaviours, board's role and processes, and venture performance during the critical early stages of development.

To explore what happens on early venture boards, a classic grounded theory method was adopted. Grounded theory is a well-known method used in situations where little is known about the area of interest (Glaser and Strauss, 1967, Glaser, 1978). The research focuses on the substantive population of directors on venture boards in the UK. It explores VC Investor Directors perspective and contextualises it by looking more widely at experiences of Founders Directors and independent Non-Executive Directors.

When using the classic grounded theory method, the aim of the research is typically achieved by understanding the key issue of concern of the substantive population, in this case directors on venture boards, and how this issue is being resolved (Urquhart, 2013). The key issue and how it is being resolved are two key concepts within classic grounded theory research process. They are known as the main concern and core resolution category, around which the theory is developed from data (Glaser, 1978). Thus, the method helps to arrive at a substantive theory about what is happening in the substantive area of interest.

Specific objectives of the research study have been defined as follows:

1. To understand what happens on early boards by allowing for the emergence of the main concern of directors on early venture boards;

2. To learn how directors go about resolving their main concern, thus discovering the core category;

3. Based on the emerged concepts and the relationships between them, to develop a substantive theory explaining how directors are resolving their main concern;

4. To clarify how the emerged theory explains variations in experiences of directors on early venture boards;

5. To contribute to the knowledge base and the director practice in the context of early venture boards.

According to the guidelines of the method, the research question in a grounded theory study is emergent in nature (Glaser, 1978). It identifies the substantive area, but it does not define the phenomenon, thus allowing for open exploration (Urquhart, 2013). This is especially useful in this study, since the area under investigation has not been previously researched much. Thus, using the guidance from the classic grounded theory method, the initial research question has been set out in two parts, as follows:

- *What are the issues that directors face on early venture boards?*
- *How are these issues being resolved?*

The emergent nature and the evolution of the research question is discussed in more detail in Chapter 3. The chapter demonstrates how in this study the initial research questions had been developed further and emerged as follows:

- *How does the process of Optimising for Growth explain the variations in experiences on early venture boards?*

1.4 The Non-Traditional Structure of the Thesis

The purpose of this section is to explain and outline the non-traditional structure of this thesis. Adopted in this study grounded theory method is quite distinct in its approach to research and, therefore, this is reflected in the presentation of the thesis (Urquhart, 2013). As it was briefly mentioned above, there are two key distinctions from the traditional research process. First, data collection and analysis are carried out simultaneously, through three stages of open coding, selective coding and theoretical coding (Urquhart, 2013). Second, data collection and analysis precede the literature review. The role of the literature, therefore, is different in this process. Conventionally, the literature plays a key role from the outset, helping to locate the research area within the theoretical diaspora of disciplines, so that a study is able to address a gap, or to build on the existing knowledge (Silverman, 2006). In designing a grounded theory study, however, researchers are encouraged to begin investigating without an extensive review of the literature (Glaser, 1998). This is done to aid the exploration, to keep an open mind and to guard against forcing pre-conceived or borrowed from the literature knowledge about concepts and their relationships. Instead, the researchers draw the concepts directly from the collected data (Urquhart, 2013). Thus, the literature becomes key towards the end of the research process, it is engaged with when substantive theory has emerged from data. The role of literature in a grounded theory study is, therefore, to refine and extend the emerged theory by exploring points of divergence and convergence between the findings and the extant knowledge. Consequently, it is normally presented towards the end of the thesis, after data collection

and analysis. Overall, the literature helps to abstract the emerged theory, making it more formal, thus shaping the contribution to knowledge (Urquhart, 2013).

This thesis reflects the non-traditional grounded theory research process and it is structured as such.

This inaugural Chapter 1 reveals the motivation for the study, which is rooted in the personal experiences of the author in the professional practice of early venture boards. It discusses how this research is relevant and important to the wider literature on corporate governance. Introducing the classic grounded theory method as a method for this study, the chapter outlines the study's aim, objectives and the research question, culminating in an outline of the non-traditional structure of the rest of the thesis.

The purpose of Chapter 2 is to provide further background and discuss the distinct context of early venture boards, thus setting the stage for the study. Consideration is given to the formation of first venture boards, including the usual composition and demographic characteristics of directors. Further, a typical life cycle of a venture – from startup to IPO or sale, is discussed, providing a wider context. It is argued that early venture boards and their directors deal with a significantly different challenges compared to later stage boards. To complete the picture, the chapter highlights recent developments in the substantive area of interest which resulted in the rise of unique and complex set of governance challenges and their effects. Overall, the outcome is a contextual background foundation for the subsequent chapters.

Chapter 3 presents the methodology for the research. In a classic grounded theory study, data collection and analysis take place concurrently, however, it is useful to separate and summarise the approach to collecting data in a thesis in order to ensure clarity, and so this chapter also does that.

Thus, the study is positioned as a classic grounded theory investigation underpinned by an interpretivist research philosophy and designed as a pilot and a main study. Here, ethical, access and practical considerations are also discussed. Presenting the pilot study, the chapter reviews its results and lessons for the main study. The chapter culminates with a summary of how the main study's data was collected, including the approach to selecting participants and interviewing.

The purpose of Chapter 4 is to give an account of the process of data analysis, clearly demonstrating the emergence of the grounded theory of *Optimising for Growth* from data. The grounded theory *of Optimising for Growth* is the main finding of this study. Its emergence from data is showcased, as far as possible, by illustrating how codes and categories were initially generated from data, and then developed further using open, selective and theoretical coding, as well as employing techniques of constant comparison, memo taking and theoretical sampling. Thus, the process of conceptualisation is shown, leading to the development of the grounded theory about the substantive area of early venture boards.

The chapter also presents and interprets the results of data collection analysis, i.e. the emerged theory of *Optimising for Growth*. The theory is offered as a process involving two stages: Evaluating and Structuring Stage

and Behaving Bigger Stage. Here, it is also explained how the emerged theory accounts for variations in director experiences on early venture boards.

Chapter 5 refines the emerged theory and locates it within extant literature with a goal to abstract it and arrive at a more formal substantive theory. Thus, the theory has been located across multiple disciplines including corporate governance, corporate finance, entrepreneurship and relational leadership. The relevant literature has been reviewed with a purpose to refine and extend the knowledge, discerning specific contributions for the literature. The result is a more formal theory of *Optimising for Growth*.

Chapter 6 concludes the thesis. It summarises the research and reflects on its conclusions. It proposes the research's contribution to knowledge and practice. Considerations are given to the study against the evaluative criteria of classic grounded theory method, demonstrating that the developed substantive theory has achieved fit, relevance, workability and modifiability (Glaser, 1998). The chapter closes with a discussion of limitations and opportunities for further research.

1.5 Chapter Summary

Having originated from a professional practice, this study investigated what happens of early venture boards. It developed a grounded theory of *Optimising for Growth*, contributing to a better understanding of boards in their entirety and explaining variations in the director experiences in context of early venture boards.

This chapter set out the foundations for the study. It introduced the motivation for the study to inform the knowledge and practice on early venture boards. It also set out the aim of the research to develop a substantive theory explaining variations in director experiences. Further it explained the non-traditional structure of the rest of the thesis.

The following chapter will set the stage further by critically discussing the distinct context that early venture boards exist in.

Chapter 2 Early Venture Boards in Context

2.0 Introduction

Typically, early ventures are striving to become public firms via IPO (Garg and Furr, 2017). Their boards, similarly to the boards of public firms, “exist in a complex network of relationships” between directors, systems, processes and their market environment (Pye, 2004, 63). However, the features and context of early venture boards are rather distinct from the boards of public firms, which are also the most traditional type of companies for board research. They differ in ways they are composed; their directors have very different attributes and characteristics, and they face very different issues internally and externally (Garg, 2013). In order to understand what happens on early venture boards, it is important to understand those distinct features and issues. This chapter considers venture-specific concepts and context with a purpose to provide background for the study, setting the stage for the subsequent chapters.

Thus, the first section critically discusses the different features of early venture boards compared to boards of public firms and shows how they give rise to unique sets of conflicts among directors (Pollman, 2019).

The second section considers the unique operating context for ventures. Here, typical life cycle of a venture – from startup to IPO is discussed, providing a larger picture context (Filatotchev, Toms and Wright, 2006). At different stages of life cycle, ventures and their boards face an idiosyncratic set of circumstances and challenges (Pollman, 2019). This section discusses

specifics of these during the early stages of venture development. Since this study investigates boards within the legal systems of the UK, this section also has a brief discussion of the two systems, which share many similarities (Guest, 2009).

The third and final section highlights recent trends in the substantive area of interest, such as, for example, staying private longer instead of doing an IPO, which produced unique and complex set of governance challenges (Pollman, 2019). This brings into a sharp focus the need for a better understanding of what happens in early and even nascent venture boards, in order to have a more informed view of their micro-foundational role in company's growth and governance.

2.1 Formation and Distinct Features of Early Boards

2.1.1 Venture Board Formation

There are two significant differences in board formation between early venture boards compared to boards of public firm. Together they create unique relationship dynamic on early venture boards from the start.

First, startup boards are usually formed as a result of early equity investment from a professional investor, such as a venture capital fund, business angels, a corporate investor, or a mix (Pollman, 2019). Having a board seat in investee startup is a standard term of investment from venture capital firms on both sides of the Atlantic (Garg, 2013). Once formed, it is not unusual for first startup boards to remain small, usually between 3-5 members, consisting of just founders and investors' representatives (Fried, Bruton and Hisrich, 1998).

Since the first investor is almost always a de-facto board member, this raises a very interesting issue about whether startups have much choice over who sits on their board. Founders are regularly advised to choose carefully their VC investors, since they get board seats and much control over what ventures can and cannot do (Pollman, 2019). This means obtaining references on how VCs work with their investee boards and obtaining several investment offers from different VC firms. In practice, these options are quite problematic. This is because venture boards, same as any company board, operate behind closed doors and very little reference data is available about them (Garg and Furr, 2017). Also, in seeking investment, many startups simply do not get the luxury of choosing between terms and

VC firms, since obtaining venture capital investment during early stages is extremely difficult and not every startup can get several investment offers from VC firms to choose from (Feld and Ramsinghani, 2013). Furthermore, some VC firms have a portfolio monitoring approach preferring to take an observer monitoring role with the investee company from the outset (Macmillan, Kulow, and Khoylian, 1989). Such investors would typically seek to appoint a non-executive director to represent them on boards instead of taking up the board seat themselves or they take part as board observers (Rosenstein et al., 1993, Lerner, 1995). In any case, the formation and the composition of boards in early ventures is strongly linked to the investor, and it is arguable whether the choice of board members is therefore a free choice early on.

Second, investment terms and agreements, play a very important role in specifying not only startup board formation, but also the appointment of investor directors or their representatives, and specifying rules for any further board appointments[1]. What is more, investment agreements play a significantly bigger role than merely composing the board and securing a board seat for the investor. In fact, they also shape the conduct of the board. This suggests early venture boards and their conduct are also "negotiated" as part of the investment contract (Pollman, 2019, p.23). Thus, upon closer examination, investment agreements set out boards processes, such as frequency of board meetings, and board reporting information, such as rights to monthly accounts (Kaplan and Stromberg, 2003). Furthermore, they also

[1] Example Investment Agreements have been published online by several early stage VC firms, including Passion Capital in the UK, http://www.passioncapital.com/

outline the rights of investors to vote or veto the important decisions about company development, for example, decisions about adopting budgets, taking out business loans, increasing founder salaries, etc., would all require a formal approval from the investor (Kaplan and Stromberg, 2003). Significantly, this means having investors with rights to approve important company decisions places them above the board in the decision-making hierarchy. In contrast, in traditional corporate setting of public firms, boards have the ultimate decision-making power on such matters (Garg, 2013). This issue creates a separate dynamic, where decisions could be delayed until investor approval is received. Thus, investment agreements shape and limit early venture boards and their conduct.

Overall, compared to boards of public firms, early venture boards are formed to include the first investor de-facto, their conduct is shaped by investor agreements and is restricted by investor rights to approve all important company development decisions.

2.1.2 Directors Characteristics

In traditional large corporate boards, two types of directors are usually present: executive and non-executive. Executive directors are full time employees of the business. For example, a Chief Executive Officer (CEO), Finance Director, Marketing Director or Operations Director, could typically be found as executive directors on corporate boards. Non-executive directors, also known as external or outside directors, do not have an operational role in the company and are not employees. Non-executive directors are also known as independent directors (McNulty and Pettigrew, 1999).

In contrast, venture boards are usually characterised to include three types of directors: Founder Director, VC Investor Director and a Non-Executive Director (NED) (Kaplan and Stromberg, 2003). Although Founder Directors can be classified as executive directors since they have a full-time role in the business, and others can also be classified as non-executive directors, as they do not have an operational role, recognising three director types helps to better understand the substantive area, as each of these three types of director has distinct demographic characteristics, including a stake in the ownership, which in turn, add to the dynamic of early boards.

Thus, Founder Directors are usually the originators of the idea behind the startup (Garg, 2013). They are typically young individuals with first time experience founding and running a company as a CEO, often having an in-depth technical knowledge but lacking market, sales and marketing expertise (Sapienza and Gupta, 1994, Sapienza, Manigart and Vermier, 1996). This

profile is in stark contrast to the typical profile CEOs of public corporate boards, individuals with much experience not only in the market and as a CEO (Rejchrt and Higgs, 2014). There are, of course, variations to a typical first-time Founder profile. Thus, other types of Founders include individuals with previous industry, startup and exit experience, as well as experience running a company as a CEO (Hsu, 2007, Zhang, Baden-Fuller and Pool, 2011). Unlike executive directors in large public firms, however, Founder Directors have a significant shareholding at early stages of company development, and at the time of board formation (Wasserman, 2006, Pollman, 2019). Executive directors in traditional corporate boards could have some shareholding but it is unusual for it to be a large shareholding, especially when they first join the company.

The second type of director on early venture boards is a VC Investor Director. This is a direct representative of the VC investment firm (Rosenstein et al., 1993, Lerner,1995). Their profiles are usually characterised by having current experience on large number of boards, including startups and growth companies. VC Investor Directors may also have industry experience since many VCs specialise in investing in specific industries (Sorenson and Stuart, 2001). Unlike outside directors on public firm boards, VC Investor Directors have strong and personal financial incentives directly linked to the VC fund they work for, which are typically received when investors exit from portfolio investee firms (Sahlman, 1990, Garg and Furr, 2017). Thus, similar to Founders, VC Investor Directors also have a personal stake in the success of companies.

Although it is not unusual for venture boards to be composed of just Founder and VC Investor Directors, early ventures may also appoint Non-executive Directors, the third type of a director on venture boards (Fried, Bruton and Hisrich, 1998, Garg, 2013). Individuals appointed as NEDs would usually have a significant amount of experience in the relevant markets and industries, undoubtably an additional resource of value to first time Founder Directors (Lerner, 1995). Furthermore, attracting experienced NEDs from the industry often gives a signal of startup high value and repute to the market (Chen, Hambrick and Pollock, 2008). Since startup boards are negotiated, NED appointments require investor approval. In some cases, both parties, i.e. Founders and VC Investors, may negotiate to appoint a representative NED each (Kaplan and Stromberg, 2003). Since early on startups might not have revenues and much available cash, it is also not unusual to incentivise NEDs with shares and stock options rather than cash payments. Although it can be advantageous to attract experienced NEDs to startup boards, the way NEDs are appointed and incentivised influences their independent status, which contrasts with public sector boards where NED independence is a primary concern (Garg and Furr, 2017).

Overall, compared to public boards, venture board directors have idiosyncratic demographic characteristics, they are also quite small in size (Kaplan and Stromberg, 2003). However, although they lack diversity and independence, these features also make them “conducive” to be more engaged in startup’s development (Fried, Bruton and Hisrich, 1998, p.499).

2.1.3 Unique Issues of Alignment and Conflict

Previous sections critically discussed formation and director characteristics of early venture boards compared to board of publicly trading corporations. These distinct features of venture boards give rise to unique conflicts of alignment and interest among venture directors vis-à-vis each other and the venture which do not exist in public boards. The sources of divergence of alignment and conflict are quite complex and, as they evolve over time, they are not always apparent during the early stages (Garg and Furr, 2017).

Existing from the outset, one of such sources of divergence lies in the Founder's psychological and ownership connection to the venture. During early stages, Founders are typically considered to be well aligned with their ventures and investors (Wasserman, 2006, Garg 2013). As originators of the idea and the vision for the startup, they tend to have a very strong psychological attachment to it, even when first VCs come in (Pierce, Kostova and Dirks, 2001). As majority shareholders at that stage, Founders also have financial incentives linked to the success of their venture (Garg and Furr, 2017). The company inevitably requires more funding, and it is not unusual for Founders to recede the majority ownership to investors on the second or a third round of funding. Since Founders also have to take on many new responsibilities within a growing company, psychologically they might also become less attached as a result (Arthurs and Busenitz, 2003, Garg, 2013). Nevertheless, investors are well aware of these issues, and they typically address Founder misalignment with incentives during new financing rounds, or by altogether replacing Founders with professional CEOs (Admati and Pfleiderer, 1994, Arthurs and Busenitz, 2003).

Another significant source of divergence is so-called VC investors' 'dual' fiduciary duty (Pollman, 2019). As legal directors of companies, VC Investor Directors are a subject to laws and regulations governing company directors' duties and responsibilities. As such, directors are legally required to act in the best interests of all shareholders (Bochner and Simmerman, 2016). At the same time, VC Investor Directors also have duties to the investment fund they manage (Pollman, 2019). These duties require them to produce a return on invested funds within a limited timescale, typically 5-7 years (Salhman, 1990). The funds contain several investee ventures at different stages of development. The 'dual' fiduciary conflict comes up broadly in two situations. First, if a portfolio company emerges to have a low likelihood of reaching a large exit, VC Investor Directors tend to lose interest in it and instead, focus on the better performing ventures, thus safeguarding the interest of their fund as a whole (Cable, 2015). Second, if VC fund is under liquidity pressure, the timing and form of exit from portfolio companies would be subservient to that pressure, as opposed to being in the ultimate interest of all shareholders of any particular investee company (Garg and Furr, 2017). The most notable example of this situation where VC Investor Director duties were at odds is the court case of *In re Trados*, a VC-backed software company. VC Investor Directors sold the company the moment the offered price gave their funds anticipated return, even though that price meant minority shareholders received nothing (Epstein, 2018). Although in this case, the courts stressed that "fiduciary duties of directors of venture-backed companies are owed to the corporation", it is widely acknowledged that VCs on venture boards remain conflicted (Epstein, 2018, p.8, Jones, 2017, Pollman, 2019).

Whilst founder's misalignment and inherent VC dual fiduciary are the most notable unique conflicts on venture boards, there are several others. However, they tend to arise in much later stages of venture development (Pollman, 2019). For example, new financing rounds often bring several new VC investors with different liquidity timescales. Inevitably this means an increasingly complex shareholding and incentivisation structures, reflecting preferences of multiple investors and new ways to ensure founders remain aligned. Different interests of investors means there is always an inherent risk that in their role as directors they would "take actions that would harm other shareholders or make inefficient decisions that fail to maximize aggregate welfare" (Pollman, 2019, p.177). In regard to the Non-Executive Directors on venture boards, as it was discussed earlier, they are often appointed by the VCs or Founders to act as their representatives, which can also make them conflicted (Rosenstein et al., 1993, Lerner, 1995). Since this study is interested in a context for early stages of ventures, these types of issues and conflicts typical for later stages, have not been discussed in much detail in this thesis.

Overall, directors on venture boards experience issues of misalignment and conflicts that simply do not exist in the context of boards of public firms. Although many of these conflicts arise at later stages of venture development with the arrival on new investors, founder misalignment and VC dual fiduciary are inherent from the start.

2.2 Venture Boards' Unique Operating Context

2.2.1 Venture Lifecycle

From formation to exit, ventures evolve through well-established but "dramatically different business phases" (Wasserman, 2006, Pollman, 2019, p.27). This evolution is known as company development lifecycle, "the notion that the firm's strategic dynamics, such as competitive challenges, opportunities and strategy responses, vary across the different" periods in time (Filatotchev, Toms and Wright, 2006, p.257).

With global professionalisation of tech startup support, accelerator programmes and funding, it is now considered that the business phases, or the lifecycle, of venture startups tend to evolve quite predictably (Pollman, 2019). The stages vary in names, but in context of VC-backed tech ventures, generally, three phases have been recognised. These are startup or early stage, transitional stage and mature stage (Wasserman, 2012). Each stage is characterised by a distinct set of challenges that ventures must deal with. Early stage is the most uncertain stage of the lifecycle as majority of ventures fail here and do not progress to the next stage (Pollman, 2019) This stage is distinguished by simultaneous technological and commercial challenges as founders attempt to develop a technical product and validate its fit for markets (Marmer et al., 2011). At the same time, early ventures have significant resource pressures because they often consist of just founders and rarely have large teams from the outset. Critically, funding is required to succeed in this stage. If startups succeed, they move into a transitional stage, where they test sales, distribution and product

development in order to grow as quickly as possible and scale processes, revenues and profits at lower costs (Marmer et al., 2011). During this stage it is not unusual for the venture to also grow the number of people it employs (Garg, 2013). At mature stage, ventures evolve as complex business operations, however, at the same time, they face significant pressures from their investors to exit either via IPO or sale (Pollman, 2019). Unmistakably, each stage is dramatically different in its challenges for the venture board.

The transition between stages in venture lifecycle are clearly separated by strategic thresholds (Filatotchev, Toms and Wright, 2006). Thus, the changeover from early stage to transitional is indicated by startup's ability to raise further large funding from professional investors, whereas exit pressures as a signal of maturity (Aghion, Bolton and Tirole, 2004). At each threshold, company structures and resources, such as people, processes and systems, get re-organised and rebalanced (Filatotchev, Toms and Wright, 2006).

Boards, their composition, attributes and function, also change when ventures transition from stage to stage. It is well known that the arrival of new investors and unique business challenges of each stage are the main factors that influence board changes (Pollman, 2019). In a venture context, this is because investors bring new terms and get board seats (Garg and Furr, 2017). As it was discussed above, venture boards frequently start small, consisting of only Founders and their first investor, where Founders often retaining majority shareholding, but, at the same time, where investors may have powers of decision veto. Transition from early stage means an increase

in board size and a shift of ownership from Founders towards VCs (Kaplan and Stromberg, 2003, Garg, 2013). As complexities of the business environment and the internal organisational context grow, this transition is often accompanied by an introduction of a professional CEO and a change in company control from founder/CEO to VCs (Daily and Dalton, 1992, Wasserman, 2006). Although recent trends indicate that Founders of particularly high growth ventures, such as Uber, Airbnb and Facebook, managed to maintain board and company control as far as the mature stage (Jones, 2017).

The issues of board member alignment and conflict also tend to multiply as venture goes through its lifecycle (Pollman 2019). This is because the relationship dynamic gets influenced by an increased number of investors, much wider variety of terms, and conflicting interests. Overall, when ventures transition from stage to stage, their boards change and their challenges become more complex. However, at the same time, they are also subject to a somewhat predictable pattern, as discussed above (Pollman, 2019). In contrast, changes in boards of public firms are not as predictable.

Whilst board changes follow a pattern as ventures progress through the business phases, very little detail is, however, known about board processes, director behaviours and actions, and how they differ throughout the duration of each stage (Jones, 2017). These differences, while so apparent, are rarely studied closely and specifically in context of challenges presented by each stage of the lifecycle (Lynall, Golden, and Hillman 2003, Pye and Pettigrew, 2005). This study does that for the early stage.

In summary, tech ventures follow a well-established lifecycle. Each stage is characterised by distinct business challenges and increased complexity. Venture boards also change with each stage. Although little detail is known about board operations during each stage, they are significantly influenced by the stage-specific challenges. The next section therefore discusses the distinct challenges facing ventures during the early stage, the stage relevant to this study, in order provide a better understanding of the context of substantive area of interest.

2.2.2 Distinct Challenges of Early Stage

As highlighted above, early stage is the most unstable stage in the venture's lifecycle. It is characterised by uncertainty of survival and rapid changes in the business (Garg and Eisenhardt, 2017). Uncertainty and changes touch all aspects of the business, including, but not limited to internally - product, technology, team and processes, and externally – venture's customers, its market and the competitive landscape (Aldrich and Fiol, 1994, Santos and Eisenhardt, 2009). There are also several distinct and complex challenges that set the early stage apart, compared to the later stages or public firms (Santos and Eisenhardt, 2009, Davis, Eisenhardt, and Bingham, 2009, Garg, 2013). These include achieving a product-market fit, having limited resources, unpredictability of performance against plan and an ever-present pressure to raise further funding (Garg, 2013, Garg and Eisenhardt, 2017).

Ventures are known to develop innovative or completely new tech-based products (Ozcan and Eisenhardt, 2009). These are either offered to create new markets or disrupt established markets, such as, for example, AirBnB disrupting the travel market (Pollman, 2019). The success of the product depends on the ability to position it within a market, thus finding customers (Zott and Amit, 2008). In contrast, ventures in later stages and larger companies have more established products, existing markets and therefore have a customer base (Garg, 2013). Transforming a tech-based nascent product into a commercial and profitable offer, that is in demand with customers, leads to achieving a product-market fit. This is notoriously hard to achieve, due to lack of previous relationship with customers, uncertainty about the best market for the product and, therefore, about competition

(Santos and Eisenhardt, 2009). At the same time, it is not unusual for startups to frequently change their target market, business model and product, a strategy known as pivoting, in order to find success (Argeaga and Hyland, 2013).

Early ventures are also characterised by small teams, and their human resource have very little “slack” or spare capacity (Garg, 2013, p.93, Wasserman, 2006). Due to high propensity to fail and lack of spare funding, attracting the right skills and experiences is often a huge challenge for early ventures, as opposed to more established firms (Garg, 2013). Therefore, in the context of uncertainty and the need for pivot, early ventures must manage their team resource very carefully and masterfully.

Another effect of operating in uncertainty is the unpredictable nature of early venture’s performance against plan. This challenge arises because of the high level of experimentation and pivoting required in order to attain the fit between products and markets. Therefore, traditional accounting measures of company performance, such as turnover and profit, do not fully represent the actual achievements under such challenging conditions (Garg, 2013). Thus, early ventures often develop and use more subjective measures of performance, such as for example, number of product users, percentage of monthly growth in revenue, and the stage of development of their tech products among others (Fried, Bruton and Hisrich, 1998). In order to perform their duties effectively, early boards, must, therefore, have a deep understanding of the nature of performance at this stage and how it could be measured effectively.

At the same time early ventures exist under an ever-present pressure to raise “sequential rounds” of funding to support their growth (Pollman, 2019, p.17). It is not unusual to go through multiple rounds of raising more investment even just during the early stage (Sahlman, 1990, Forbes Korsgaard and Sapienza, 2010). This adds an additional challenge on the venture team and its board to constantly search for new investors, and to be ready to meet their expectations for a new funding round, which usually boil down to having achieved growth, however it is measured.

Overall, the challenges of early stage are inter-dependent and stem from uncertainty and change. Most importantly they are distinct from other stages and therefore form part of the uniqueness of the context for researching early venture boards.

2.2.3 National Context

As discussed above, the formation, composition and operations of venture boards are governed by investment agreements (Pollman, 2019). However, in the eyes of the law, venture boards are not distinct from any other company board and, therefore, they are also subject to a national company law (Graebner and Eisenhardt, 2004). In the UK, there is no requirement for private companies to form boards, but all company directors are a subject to the UK legal framework, as there is also no distinction between Executive Directors, i.e. directors that work full time in the business, and Non-Executive Directors, i.e. directors that are not employees of the company, and so all types of director must comply with legal duties (McNulty and Pettigrew, 1999, Renneboog and Zhao, 2011).

The majority of corporate governance research, including research on venture boards, has been conducted in the US setting (Guest, 2009). However, “the US and the UK governance systems are a common law systems and they share many similarities”, such as absence of the distinction between executive and non-executive directors mentioned above, and a high protection of minority shareholders, among others (Guest, 2009 p.1). Therefore, researching early venture boards in the UK context would add to the understanding of venture boards also in the US context.

2.3 Recent Trends and Issues

Venture capital has been supporting startups and their growth since the middle of the 20th century, however the latest decade has seen some significant new trends (Harrison and Mason, 2019, Pollman, 2019).

On the one hand, there has been a “rapid emergence” and professionalisation of startup support across the world (Fehder and Hochberg, 2014, p.1). Almost every region in the UK and the US has developed accelerators, i.e. training programs for startups. However, although their number is increasing, there is an insufficient evidence on the success of accelerators and their impact on the entrepreneurial ecosystems (Fehder and Hochberg, 2014). This is illustrated by the fact that the failure rate of startups is still “famously” high (Pollman, 2019, p. 11). However, such programmes and the data they captured, have helped contribute to better understanding of the nature of the wider economic challenge. It is evident now that the rate of growth, or so-called scale-up effort transforming startups into growing companies, is the key challenge in replenishing jobs, as opposed to the rate of birth of new companies (Harrison and Mason, 2019). In other words, the ‘scale-up problem’, i.e. startups’ difficulty to grow and transition from the early stage, is the key challenge world-wide. Therefore, it is imperative to better understand how some early boards propel startups to growth and others fail (Garg, 2013).

On the other hand, whilst there has been a discovery of the ‘scale up problem’, contrarywise, there has also been a dramatic increase in the number of ventures reaching a unicorn status world-wide (Harrison and

Mason, 2019, Pollman, 2019). In fact, over the past six years alone, the number of unicorns, i.e. private companies valued at $1bn or more, has increased ten-fold with many of them reaching “the 10-year mark” (Pollman, 2019, p.3). Notably, however, unicorns and several large venture-backed companies have been delaying their IPOs preferring to remain privately owned for longer (Jones, 2017, Pollman, 2019). The significance of this recent trend cannot be underestimated especially in the view of new global-scale scandals about ventures and their conduct, for example Uber, Zenefits and Theranos (Pollman, 2019). The main consequence of remaining private longer is the so-called ‘governance trap’, i.e. the lack of public accountability by companies that have transformed major industries world-wide caused by the lack of pressure to professionalise operations and governance (Jones, 2017). Investors and stakeholders are finding themselves powerless in influencing such ventures’ IPOs (Pollman, 2019). More significantly, when it comes to venture context, it has also now been suggested that “longstanding theories of corporate ownership and governance” are failing in their predictive and explanatory power because they do not adequately capture theoretically the special features of ventures, such as, for example, the imbalance of director attributes, lack of separation between shareholders and managers, unique features of board composition, and inherent fiduciary conflict among shareholders and directors (Pollman, 2019, p.1).

Overall, these recent trends and issues indicate an urgent need to better understand venture boards at different stages in the lifecycle in general, and during the critical early stages, in particular (Garg and Furr, 2017, Pollman, 2019).

2.4 Chapter Summary

The world-wide increase in Venture Capital funding over the past twenty years has resulted in the emergence of highly innovative, technology-driven, fast growing global companies which have disrupted many industries. Startup ventures have become important drivers of innovation and economies. Whilst the knowledge and literature on venture boards is increasing, illuminating on the complex board features, distinct context and unique governance challenges, the knowledge of early venture boards remains scarce. Since the failure rate of startups is still “famously” high (Pollman, 2019, p. 11), such knowledge can help better understand the relationship between director attributes, board role, value adding activities and venture performance.

This chapter showcased that early venture boards operate in a distinct and rather complex context, a necessary backdrop to understand when researching early venture boards. The next chapter argues philosophical, method and research design choices to study the experiences of directors on early venture boards.

Chapter 3 Research Methodology

3.0 Introduction

The purpose of this chapter is to present the methodological approach adopted for this research study. The approach is positioned as a classic grounded theory investigation, carried out from an interpretivist philosophical perspective, and designed with ethical, access and practical considerations in mind.

Thus, the first section discusses the adoption of an interpretivist philosophical perspective to carry out this study of director experiences on early venture boards. It explains researcher's relativist ontological and subjective epistemological position.

The second section outlines the rationale for the adoption of the classic grounded theory as a method for data collection and analysis. Here, the key variations between several emerged schools of grounded theory are critically discussed. The case is made for employing the classic, or Glaser, grounded theory method and its specific foundational procedures are then outlined. Research Question is revisited and formulated according to the guidance provided by the method. The section concludes with an overview of the grounded theory own evaluative framework.

The following third and fourth sections discuss the important access and ethical issues. Access in board research is notoriously difficult and, having reflected on key practical challenges and strategies to overcome them, the research was decided to comprise of a pilot and a main study.

The next, fifth section offers details of the pilot study and its results. Having experienced fewer issues of access than anticipated, it is proposed to approach the data collection first from the perspective of VC Investor Director and, then, seek additional views from other type of directors, including Founders and Non-executive Directors, in line with the procedures of the grounded theory.

Finally, the chapter concludes by summarising the process of collecting data as part of the main study, including an approach to selecting participants and to interviewing.

3.1 Interpretivist Philosophical Underpinning

This research investigation adopted interpretivist philosophical perspective (Burrell and Morgan, 1979). This means drawing upon the understanding of reality as multiple and "socially constructed" (Leitch, Hill and Harrison, 2010, p.68). By recognising multiple social realities and relationship between them, the researcher, therefore, is able to reveal the "underlying patterns and order of the social world" (Morgan, 1980, p.609). Accordingly, the researcher captures a complex and multi-faceted view of the issue under investigation, whilst studying a variety of actors in a specific organisational context (Saunders, Lewis and Thornhill, 2007). Thus, adopting the interpretivist philosophical perspective means the researcher is concerned with "uniqueness of a particular situation, contributing to the underlying pursuit of contextual depth" and commits to reflecting "on the layered complexity of the phenomenon at hand" (Kelliher, 2005, p.123). Consequently, the knowledge created from the position of interpretivist philosophical perspective is "relative to particular circumstances – historical, temporal, cultural, subjective – and existing in multiple forms as representations of reality (interpretations by individuals)" (Benoliel, 1996, p.407).

Adopting interpretivist philosophical position is a product of researcher's reflections on assumptions about nature of reality (ontology), and the nature of knowledge about the reality (epistemology) (Lincoln and Denzin, 2000, Holton, 2008).

3.1.1 Relativist Ontology

Reflecting on ontological perspective means considering the researcher's view about "the nature of reality and the nature of human being in the world", whether it exists independently from the social actors or indeed in the consciousness and "only through experience" (Denzin and Lincoln, 2005, p.183).

This study explores the experiences of directors on boards of early stage technology-based ventures. Such directors tend to work informally in order to help their ventures grow, as opposed to rigidly following rigid board procedures existing in other contexts of boards, such as, for example, more mature companies or public corporations (Graebner and Eisenhardt, 2004, Bingham and Eisenhardt, 2011). The internal processes of early boards are also rather informal and very much relative to the context of the reality of early ventures and the uncertainty about their future, especially in regard to the market adoption of the product (Santos and Eisenhardt, 2009, Garg, 2013).

In regard to this study, therefore, the researcher views the reality of early venture directors as "not distinguishable from the subjective experiences of it" within specific context (Guba and Lincoln, 2005, p. 176, Levers, 2013). Drawing on such understanding of reality, the ontological perspective of this study is, therefore, relativist (Guba and Lincoln, 2005).

3.1.2 Subjective Epistemology

Epistemology considers the nature of knowledge (Lincoln and Denzin, 2000). Reflecting on the epistemological perspective means the researcher considers “a way of understanding and explaining how I know what I know” (Crotty, 1998, p.3). For this study, the choice of the subjective epistemological positioning is reflected in claims made about the study’s contribution to knowledge (Symon and Cassell, 2012). Subjectivist positioning means the new knowledge and understanding comes from an in-depth exploration, shaped by attributed meanings by the participants and the researcher, and that it is situated in a specific context (Saunders, Lewis and Thornhill, 2016).

Overall, adopting the interpretivist philosophical perspective discussed above as relativist ontology and subjective epistemology, brings an important alignment with the aim of research to understand what happens on early venture boards, because it helps the researcher to understand “the meaning of human experiences and actions” (Levers, 2013, p.3).

3.2 Classic Grounded Theory as Method for Data Collection and Analysis

One of the steps in the inter-connected decision-making process of evaluating the rationale for philosophical, method and research design options is to choose an appropriate method for data collection and analysis. Method for data collection and analysis is regarded to be “the strength of qualitative research” and its fit is vital to ensure methodological congruence among all fundamental components of a doctoral research study (McNulty, Zattoni and Douglas, 2013, p.190).

This section provides a rationale for adopting the classic grounded theory (GT) as a method for data collection and analysis (Glaser and Strauss, 1967, Glaser 1978). The rationale is argued by reviewing the three distinct strands of GT against the aims of the study. Then foundational procedures of classic GT are outlined. The section concludes with restating the research question.

3.2.1 Rationale for Adopting Grounded Theory Method

The study has adopted grounded theory (GT) as the method for collecting and analysing data. GT is a theory-building method for data collection and analysis (Glaser and Strauss, 1967). It allows to systematically derive a conceptual view of what is happening in the area of interest, and to shift it from a simple description to a more abstract and theoretical explanation (Glaser and Strauss, 1967, Holton, 2008, Ralph, Birks and Chapman, 2015). In particular, GT is quite powerful when an insight or a theoretical explanation is sought about human experiences, interactions and behaviour (Benoliel, 1996).

In this research, GT has been used because it is compatible with the interpretivist philosophical standpoint adopted for this study, allows an in-depth exploration of previously little-known processes on early venture boards, supports theory-building through collecting data by speaking with participants about their experiences, enables a flexible research design, and it is proven to provide practitioner-oriented insights (Jones and Noble, 2007). To consider each point of the rationale in more detail:

- Firstly, GT is compatible with a wide range of philosophical standpoints, it, in fact, is well known for its "methodological dynamism" (Ralph, Birks and Chapman, 2015, p.1). This means that as long as the researchers examine, reflect and develop their own "strong ontological and epistemological self-awareness", they can use GT method to support the interpretation and conceptualisation of what is happening in the substantive area of interest (Charmaz, 2000, Ralph, Birks and Chapman, 2015, p.2, Holton, 2008).

  As discussed earlier in the chapter, this study was carried out from interpretivist philosophical perspective. Such positioning considers the knowledge about the phenomenon inseparable from people's experiences and therefore advocates for a naturalistic data gathering method, such as interviews, a way to enable the researcher to elicit participants' accounts of their experiences (Bryman and Bell, 2012). Accordingly, GT is also an appropriate method for data analysis within this research philosophy as it can show how analytical concepts are

developed and expressed using participants' own words, meanings and perspectives (Suddaby, 2006, Bryman and Bell, 2012).

- Secondly, GT allows for in-depth exploration of the substantive area of interest, in this case, the area of early venture boards. Surprisingly, very little is known about director behaviour and inter-relationships – boards are often referred to as a 'black box' by corporate governance researchers (Huse, 2005, Roberts, McNulty and Stiles, 2005, Pye and Pettigrew, 2005, Zona and Zattoni, 2007). Most of the theoretical knowledge and policy recommendations that have been built up in this space, seems to be constructed with very few empirical studies into what actually happens on boards, i.e. relationships, actions and interactions, as well as behaviours of directors in and around boardrooms (Roberts, McNulty and Stiles, 2005, Pettigrew, 2008). Recent global board-level scandals of Oxfam, Carillion, Theranos and Uber have strengthened the case for explorative studies of inner-workings of the boards (Roberts, McNulty and Stiles, 2005, Garg and Eisenhardt, 2017, Garg and Furr, 2017). Using GT would allow for this.

- Thirdly, GT supports a way to collect data by speaking with participants about their experiences. This study is exploratory and there are several possible methods that could be used for gathering a variety of data, for example, interviews, or observations, or a mix of those. However, it is important to consider that most of the corporate governance research has been carried out without "talking to a single director, or anyone else in the corporate governance" (Tricker,1994, p.2, quoted in Stiles, 2001,

p.631). This remains as an “obvious problem” (Stiles, 2001, p.631, Roberts, McNulty and Stiles, 2005, Eisenhardt, Graebner and Sonenshein, 2016) and several seminal papers called for researchers to “engage directly with actors and settings of governance, as qualitative inquiry can help to open up the black box of boards in order to shed light on director behaviour, relationships and effects” (Pettigrew, 1992, p.191), and use “inductive methods such as theory building from cases, interpretivist studies, and ethnography” in order to “powerfully address grand challenges while also developing strong and insightful theory” (Eisenhardt, Graebner and Sonenshein, 2016, p.1113).

The field of corporate governance research is at “a crossroads” (Daily, Dalton, and Cannella, 2003, p.371) and “multiple perspectives are required to fully understand the nature of board activity” and most importantly, in order to gain a better understanding of the nature of boards, researchers “must have reports from directors themselves” (Stiles, 2001, p.631). One of the strengths of choosing GT as a method in this study is because it allows speaking with participants about their experience as part of the in-depth exploration of the phenomenon (Glaser, 1998). This provides rich descriptions and context-specific insights, and such ‘board stories’ help with building much-needed critical mass of all types of qualitative knowledge in the field of corporate governance dominated by quantitative knowledge (Stiles, 2001). However, several prominent academics in this field note that what the field of corporate governance would most benefit from is in

fact qualitative research which extends the existing theories or develop alternative theories and models in order to “effectively uncover the promise and potential of corporate governance” (Daily, Dalton, and Cannella, 2003, p. 375, Eisenhardt, Graebner and Sonenshein, 2016). This study’s ambition is to make such contribution and, therefore, GT as the selected method for analysis and collection of data would empower theory building.

- Fourthly, GT supports a flexible research design. Difficulty of accessing board directors for interviews is often cited as one of the key reasons for the lack of qualitative corporate governance studies (Leblanc and Schwartz, 2007, McNulty, Zattoni and Douglas, 2013). Access has been a major unknown and a cause for concern at the beginning of this study. In the UK, high quality research in the field of corporate governance using interviews with directors involved either a major government initiative, for example, the Higgs review of corporate governance (Higgs, 2003) carried out by Roberts, McNulty, and Stiles (2003) or has been carried out by experienced academics through a long-standing relationship with the industry. This is not just an issue of gaining access. Even if access is granted either through introductions or persistence, it is still also unknown whether the interview answers would in fact be in-depth, as there are issues of confidentiality which can preclude directors from sharing their experiences, going in depth and providing specific examples of behaviours and inter-relations. Navigating these potentially significant barriers means the selected

method for data gathering and analysis should support a flexible research design.

- Fifthly and finally, GT enables the researcher to inform practice (Glaser, 1978). The aim of this research is to inform practice – the conduct of boards in early stage, investor-backed and tech-based companies, by developing practical recommendations and helping directors with their efforts to get the best out of their early boards. The selected method is known for helping the researcher to develop actionable practical recommendations (Jones and Noble, 2007, Urquhart, 2013).

These above points, when combined, innately lead to considering grounded theory as the most appropriate method for collecting and analysing data for this study.

3.2.2 Considering Distinct Strands of Grounded Theory Method

GT method originated by the seminal work of Glaser and Strauss (1967) researching awareness of dying in hospitals (Levers, 2013). Since the introduction of the method nearly 50 years ago, it has been through several transformations (Jones and Noble, 2007). Most notably, one of the authors, Strauss, has developed his own distinct strand, which he then also subsequently updated (Strauss and Corbin, 1990, Strauss and Corbin, 1998). Although Strauss' intention was to provide more detailed guidance on procedures of GT, so the method could be used more easily and widely, it resulted in a decades-long a dispute between him and his co-founder, Glaser. In essence, Glaser criticised Strauss' approach as producing a conceptual description, as opposed to a grounded theory (Glaser, 1992). To date, these two distinct strands are referred to as the Straussian and Glaserian (or classic) schools of grounded theory method (Urquhart, 2013). More recently, a third strand has emerged, developed by Charmaz (2008). This strand is underpinned by a philosophically distinct position as constructivist, suggesting that GT meaning is co-constructed by the interaction between the researcher and the participants. Since the philosophical position of this third school is incompatible with the philosophical positioning of this study, it has not been included into a consideration as a suitable method for this study.

The Straussian and Glaserian strands diverge across four issues: the role of the literature, formulation of the research question, analysis procedures and approach to theory development. These are summarised in Table 1 and then discussed in more detail. Such discussion is important to include because understanding the variations between these schools not only helps to grasp

the value of the key principles of the method but also navigate the researcher to make an informed decision about which school to employ in their study (Urquhart, 2013).

Table 1. Key Variations between GT Strands

	Glaserian GT	**Straussian GT**
The Role of Literature	Reading of the literature is either absent or very broad during the early stages of the research process (Glaser 1978) Focused reading of the literature takes place at a later stage, the field of literature is guided by the emerged theory rather than the researcher's prior knowledge and assumptions (Glaser, 1992)	Specific understanding and the literature reviews are permitted in order to stimulate the research question and theoretical sensitivity (Strauss and Corbin, 1990)
Research Question Formulation	Initial research question is broad, it must identify the substantive area but must not identify and specify the phenomenon (Urquhart, 2013) Research question is, therefore, emergent throughout the study (Glaser, 1992)	Research Question is influenced by prior knowledge and literature, it specifies the phenomenon to be studied (Strauss and Corbin, 1990)
Analysis Procedures	Constant comparison (Heath and Cowley, 2004). Open, selective and theoretical coding, theoretical sampling (Glaser, 1978) Refitting and integrating theory around emerging core category Theoretical codes emerge, multiple paradigms suggested as illustration (Glaser 1978, 2005)	Open, axial and selective coding (Strauss and Corbin, 1990). Category development and integration around the chosen phenomenon A single axial paradigm is used, however modified method later dropped this (Strauss and Corbin, 1998) Analysis is dominated by logical deduction and verification (Heath and Cowley, 2004)
Theory Development (Emergence) vs Theory Construction (Forcing)	The resulting emerged substantive theory is "A set of integrated conceptual hypotheses organised around a core category" (Glaser, 1998, p.2) Evident theory parsimony, scope and modifiability (Heath and Cowley, 2004)	The result is a theoretical formulation, elaborate description or conceptual ordering (Strauss and Corbin, 1990, 1998)

Source: Table developed by the Author, 2020

Thus, as Table 1 illustrates, GT method can be used to investigate an unknown phenomenon, or a phenomenon formulated by previous understanding or the literature (Glaser, 1992, Strauss and Corbin, 1990). When following data collection and analysis procedures, the researcher could either systematically develop the theory through emergence or select a flexible mix of applicable coding and analysis methods to suit their aims (Glaser, 1992, Strauss and Corbin, 1998, Heath and Cowley, 2004). The outcome of GT research method could range from an inductively developed theory about a core category, or a constructed causes-consequences framework, or a model with illustrative dense description but without a theory (Glaser, 1992, Strauss and Corbin, 1990, 1998, Heath and Cowley, 2004). Altogether, the choice of any particular strand of GT to carry out the research depends on the consideration of the study's aims against these key variations, which are considered in detail in the following sections.

3.2.2.1 The Role of Literature in GT Strands

The two GT strands differ in the role they assign to the literature, even though both Glaser and Strauss accept that no researcher is a blank slate, but is a someone with some prior understanding of the issue under investigation and some perspective to be able to see relevant data (Glaser and Strauss, 1967).

Glaser instructs for the reading to be wide in the beginning of the research process in order to get sensitised to a broad range of possibilities (Glaser, 1978), while at the same time warning that literature "might contaminate, stifle or otherwise impede" the generation of categories (Glaser, 1992, p.78).

When following the Glaserian GT, focused reading of literature takes place only when theory has been sufficiently developed (Hickey, 1997). Thus, the emerged theory determines the relevance of the literature (Heath and Cowley, 2004).

In contrast, the Straussian GT encourages the research to use the literature, as well as past experiences, to influence the shaping of the research in the early stages, and then again in the later stages, in order to stimulate theoretical sensitivity (Strauss and Corbin, 1990).

3.2.2.2 Formation of the Research Question in GT Strands

GT method was created to help uncover the unknown and new (Glaser and Strauss, 1967). Glaser maintains that researchers should enter the field with only a general idea of the substantive area because “when we do not know what we are looking for when we start, we simply cannot say prior to the collection and analysis of data what our study will look like” (Glaser 2001, p. 176). Therefore, if little is known about the substantive area or the phenomenon within it, the research question simply cannot be structured in a way that would define the phenomenon. Thus, the Glaserian school advocates for using an initially broad research question: What are the issues experienced by participants and how are they being resolved? (Glaser, 1992). The nature of the research question is therefore also being discovered as it emerges through the process (Jones and Noble, 2007).

The Straussian school argues GT method could also be used to investigate a pre-determined research topic (Strauss and Corbin, 1990). Researchers are encouraged to define and identify the problem, issue or the phenomenon to

be studied either by using prior personal experience or indeed, the literature, thus adopting a more “interventionist” influence of the data (Jones and Noble, 2007, p.24).

3.2.2.3 Data Analysis Procedures and Techniques in GT Strands

Both Glaser and Strauss agree that GT involves several non-optional data analysis procedures (Jones and Noble, 2007). For Glaser, they include open coding, selective coding, theoretical coding and theoretical sampling (Glaser, 1992). Throughout the analysis, constant comparison technique is employed to compare data incidents to data incidents, thus grounding the emergent concepts in the original data.

For Strauss, the procedures include open coding, axial coding and selective coding, which reduce and cluster codes and categories into provided axial paradigm model (Strauss and Corbin, 1990). In addition to constant comparison, Strauss suggests using a supplementary analytical technique to “open up the data: think of potential categories, their properties and dimensions” (Strauss and Corbin, 1990, p.77). For example, Strauss encourages researchers to ask basic questions such as “Who? When? Where? What? How? How Much? And Why?” in order to generate logically elaborated dimensions and sub-dimensions of categories and their properties (Strauss and Corbin, 1990, p.77). He argues such techniques increase the density of concepts and the resulting theory (Jones and Noble, 2007).

However, it can also be argued that generating ideas from the data and logical elaboration on them results in deductive reasoning (Heath and Cowley, 2004). Therefore, instead of developing theory from concepts and from data, the researcher effectively uses prior knowledge and looks for verification of it rather than creating theoretical sensitivity. Thus, Glaser argues that using such additional analytical techniques lead to forcing as opposed to emerging of theory since verification means "looking for data rather than at it" (Heath and Cowley, 2004 quoting Robrecht, 1995).

The argument about forcing vs emerging of the theory approach has become one of the key points of contention between the two schools, which is discussed separately in the next section.

It must be noted, however, that the Straussian school has later modified its position on the use of those analytical techniques. In later guidance, it recommends the researcher is "allowed to pick and choose between various procedures, choosing some, rejecting others and blending of own" (Jones and Noble, 2007). Therefore, since the researchers are encouraged to treat the guidance on procedures "as items on a smorgasbord table from which they can choose, reject, and ignore according to their own tastes – and rightly so… some will blend our techniques with their own", the techniques have become somewhat optional (Strauss and Corbin, 1998, pp.8-9).

3.2.2.4 Theory Development (Emergence) vs Theory Construction (Forcing) in GT Strands

Emerging, i.e. constructing theory from concepts firmly grounded in gathered data, is a central tenet of the Glaserian GT school (Jones and Noble, 2007). Glaser advocates for organic emerging of every component of the research, including the research question, the issue of concern for participants, concepts, categories and the relationships between them and thus the resulting theory (Glaser, 1992). Glaser GT is particularly uncompromising on the emergent nature of development of the theory. For Glaser, the theory must be emergent, it should never be put together, it should be generated systematically and thus can only shaped by the substantive area under study (Jones and Noble, 2007). Nevertheless, the early the Straussian GT school stipulates a specific framework, called paradigm model, on how to fit concepts and categories together and, as such, the resulting "theory is constructed under the control of a specified framework that now dictates coding to produce a linear model of causes, intervening conditions and consequences that explain the phenomenon, context, actions and interactions" (Corbin and Strauss 1990, Heath and Cowley, 2004, p.146). On the one hand, the use of paradigm model could fit well with the nature of phenomenon where it was pre-determined that the relationship between concepts is somewhat causal. On the other hand, it is not unusual for researchers using this approach, to realise that causes-consequences framework to organise codes does not always work as resulting model fails to reflect some key insights into relationships that emerged from the data (Urquhart, 2013). Here, it can be argued that the theory becomes "created

rather than creative" (Heath and Cowley, 2004, p. 146). It is therefore not surprising that the Straussian school has later moved away from imposing the single axial paradigm, to a more flexible approach of constructing the relationships as they are indicated by the data (Strauss and Corbin, 1998).

The different use of coding and analysis procedures by the two GT schools suggests since these methods are used differently, they generate different types of theory (Kendall, 1999). For Glaser, the grounded theory's resulting product is "a set of integrated conceptual hypotheses organised around a core category" (Glaser, 2001, p.2). Glaser suggests several coding paradigms indicating how coded data might get organised around the core, including the causes-consequences framework favoured by the Straussian GT school, however these coding families come with a caveat that they are flexible and the researcher should be able to generate their own (Glaser, 1978, 2005, Urquhart, 2013). The theory in the Glaserian school claims to have parsimony, i.e. ability to explain complex issues with simple concepts, scope and modifiability, demonstrating that theoretical sensitivity can be achieved without thick details (Heath and Cowley, 2004).

For Strauss, the grounded theory is a theoretical formulation conceptually ordered around a phenomenon of interest emphasizing density of categories (Strauss and Corbin, 1990). The Straussian school also advocates that GT method should be used for generating and analysing themes and developing grounded concepts, not just for theory development, i.e. discovering the relationships between concepts (Strauss and Corbin, 1990, Jones and Noble, 2007).

This distinction is one of the main points of contention between the two schools since Glaser does not accept constructing and forcing of the theory development in any way (Glaser, 1978). Thus, it appears Glaser rejects the Straussian school's claim to be able to produce inductive grounded theory instead labelling it a conceptual description (Glaser 1998).

3.2.3 Rationale and Consequences of Adopting Classic GT

The choice of GT strand depends on its alignment with the aims of the study (Urquhart, 2013). This study is investigating what is happening on venture boards, a relatively unknown phenomenon which has not yet been fully conceptualised by extant literature. It does so by examining the experiences of directors on venture boards, specifically issues and concerns they are dealing with in order to uncover and conceptualise patterns of actions, processes and behaviour used to alleviate and resolve those concerns. The aims are to understand what happens on early venture boards, and to develop a theoretical framework of the relationship between directors' attributes and behaviours, board's role and processes, and venture performance during the critical early stages of development. Since the aims include developing a theory about a little understood phenomenon, the Glaserian (classic) GT school is the most aligned method for this study.

Adopting the classic GT method has had the following implications on the study, its design and presentation:

- The literature review was delayed until the theory was developed;
- The research question was emergent in nature, starting out broadly and developed through analysis;
- Open, selective and theoretical coding were employed to analyse the date, aided by constant comparison, memo taking and theoretical sampling;
- The developed theory was a substantive theory about the area, developed systematically through emergence.

3.2.4 Outline of Classic GT Procedures

Glaser strand is notable for its “rigorous procedures”, which “are followed in order to generate theory that fits, works, is relevant and readily modifiable” (Glaser, 2005, p.14). The defining procedures of the classic GT that were followed by this study, can be summarised as follows:

- Simultaneous collection and analysis of data, meaning that as soon as data is collected or interview is finished, it gets analysed (Glaser, 1978);

- Coding uses constant comparison, i.e. occurrences of data incidents are constantly compared to each other to form codes and then emerge into concepts and categories (Glaser, 1978). Thus, categories and relationships between them as well as resulting propositions are constructed from their occurrence in the collected data as opposed to being influenced by literature or logically formulated by deduction;

- Capturing details of interpretations, questions, ideas and the evolution of codes and categories through regular memo-writing. This enhances knowledge and understanding of concepts and relationships between them. Captured ideas must be verified by data. Categories and relationships are constantly refitted via ongoing comparison. Memoing helps to keep auditable track of the complex evolutionary process of the theoretical codes (Glaser, 1998);

- Sampling theoretically to progress with the theory construction through each cycle of data collection and analysis. Selective coding

and sampling means coding only for core category and categories related to it, abandoning irrelevant categories (Glaser, 1978);

- Saturation is attained by inter-changeability of indices, i.e new data incidents no longer add new meanings or properties (Glaser, 1992);

- Further data collection is sampled theoretically. Researcher collects data relevant to core and related categories from the best source of such data, which rise from analysing in memos (Glaser, 1998). Theoretical sampling is also based on saturating categories and relationships between them.

- Once categories are saturated, memos approach their theoretical completeness and can be sorted. Theoretical sorting of memos involves arranging the memos in theoretical outline or code. This is an essential preparation step for the write up (Glaser, 1998).

- Engaging with the literature begins once theory is formulated. The relevance of the literature to engage with is determined by the emerged theoretical formulation. Literature is effectively 'folded in' using the already familiar method of constant comparison, in this case of literature to the data, leading to identifying point of convergence and divergence (Glaser, 1998).

3.2.5 Restatement of the Research Question

Classic GT advocates for approaching the study with a broad and open research question (Glaser and Strauss, 1967, Bryant, 2002, Urquhart, 2013). This creates flexibility and freedom when investigating a phenomenon which has been relatively unexplored. Given limited number of empirical studies on director behaviours, this feature of the classic GT is particularly enabling for the researcher to be open to discovery when investigating early venture boards. Though the method advocates for the research question to be rather broad, it specifies that the question should identify the substantive area and population but not make any assumptions about the phenomenon of interest (Urquhart, 2013). The initial research question for this study can therefore be simply crafted consisting of two parts as follows:

- *What are the issues that directors face on early venture boards?*
- *How are these issues being resolved?*

The substantive area of interest of this research study has been identified as boards of early stage investor-backed technology-based ventures within the UK. Technology-based ventures develop and bring innovative technological products to market across multiple industries (Santos and Eisenhardt, 2009). Typically, they are characterised by rapid product development cycles, scalable business models and the need for substantial Venture Capital investment to fund its high growth ambitions (Garg, 2013). Such ventures are usually founded by first-time entrepreneurs and their boards are normally formed as a condition of investment from the fist VC investor.

The substantive population of this study has been identified as venture board

directors. Chapter 2 highlighted that there are three types of directors on early boards – Founders, independent Non-Executive Directors and VC Investor Directors, representatives of the investor firms (Garg and Furr, 2017). Sometimes an early board also includes a Business Angel, a private investor, they would take on a Non-Executive Director role or even become a board Chair. It is not unusual though for early boards to consist of only founders and VC directors (Garg, 2013). VC directors are therefore deemed to play the most crucial role in adding value to startup company (Aksu and Wadhwa, 2010).

In situations where multiple types of participants are present, GT recommends collecting from the perspective of a single type of participant to identify their main issue of concern, since it is unknown whether the different types of participants would share the same concern (Glaser, 1992). The issue of concern is typically resolved via an interaction with other types of participants and other parties and so viewpoints of others are also collected and analysed as part of the study, however this typically occurs during the process of theoretical sampling (Glaser, 1978).

3.2.6 Evaluative Framework

As with any type of research, it is necessary to discuss an evaluative framework from the outset. Research evaluative frameworks “depend on who forms them and what purposes he or she invokes”, as suggested by Charmaz (2008, p.182). This study takes, as evaluative framework, the criteria for assessing a grounded theory first proposed by Glaser and Strauss (1967) and then further detailed by Glaser (1978, 1998). As such, the purpose of Glaser’s criteria is to consider how the developed substantive theory depicts and reflects the data collected (Charmaz, 2008). Since the study adopted Glaser grounded theory approach to data collection and analysis research, Glaser’s framework is, therefore, appropriate to commit and adhere to throughout the research duration.

Glaser’s evaluative framework consists of four criteria: fit, relevance, workability and modifiability (Glaser, 1978, 1998). Thus, to achieve fit, the research must demonstrate how codes and categories have emerged from the collected data incidents. Since codes and categories are developed by constant comparison and using three coding techniques of open coding, selective coding theoretical coding, the fit is achieved gradually. Glaser argues that “fit is another word for validity” (Glaser, 1998, p.18) as fit proves a close connection between the raw data incidents, the pattern they form and appropriateness of conceptual naming of patterns. Codes and categories “must be readily (not forcibly) applicable to and indicated by the data under study” as well as they “must be clear enough to be readily operationalized in quantitative studies when these are appropriate” (Glaser and Strauss, 1967, p.3). The lack of fit is obvious, as it arises when codes and categories are

borrowed from literature or are forced from pre-conceived knowledge rather than adequately reflecting what is actually going on in the data.

A relevant study “deals with the main concerns of the participants involved” (Glaser, 1998, p.18). Therefore, relevance, as a criterion, is demonstrated by the process the researcher goes through to determine the main concern of participants and provides details of its emergence. Achieving relevance means the study is valuable to the substantive population. Therefore, it has practical value, a necessary ingredient for a DBA to demonstrate a contribution to practice (Holton and Walsh, 2016). To demonstrate relevance, Glaser (1978, p.100) speaks about the theory evoking instant conceptual “grab”, meaning it has “significant explanatory power” of what is happening in the substantive area of investigation and it is useful and resonant to the participants (Schreiber, 2001, p.74).

To demonstrate grounded theory’s level of abstraction, the framework uses a criterion of workability. Workable grounded theory explains how participants resolve their main concern with as fewer categories as possible. To meet this criterion, the development of core category, a category by which participants resolve their main concern, should be carefully documented. This process must demonstrate how core category accounts for much of the variations in patterns of data and how its sub-categories and the relationships between them have been abstracted. An unworkable grounded theory would consist of an excessive number of top-level categories.

Modifiability refers to the capacity of the grounded theory to reflect the dynamic nature of social reality (Lomborg and Kirkevold, 2003). A modifiable

grounded theory has a capacity for being altered if and when new relevant data is sought. According to Glaser (1998, p.18) “Modifiability is very significant. The theory is not being verified as in verification studies, and thus never right or wrong. …it just gets modified by new data to compare it to.” Modifiability demonstrates how study can be extended into other contexts or, if necessary, used to move from a substantive theory to a more formal theory.

The four criteria for evaluating a grounded theory “are based on achieving skill at each stage of the grounded theory package” (Glaser, 1998, p.17). Table 2 summarises the criteria and links it with stages in the research process.

Table 2. Linking Evaluative Criteria and Research Stages

Criteria	Demonstration as part of Research Process	Link to Data Analysis and Coding Stages
Fit *"Does the theory fit the substantive area?"* (Glaser, 1998, p.17)	Demonstrate how codes emerge from collected data, not literature, using constant comparison and memoing Fit is achieved gradually - use of three coding techniques of open, selective and theoretical coding	Open coding stage (chapter 4, section 4.2) Selective coding stage (chapter 4, section 4.3) Theoretical coding stage (chapter 4, section 4.4)
Relevance *"Does it have relevance to the people in the substantive field?"* (Glaser, 1998, p.17)	Demonstrate the process of determining the main concern of participants, detail its emergence Demonstrate how the theory explains what is happening in the substantive area	Open coding stage (chapter 4, section 4.2) demonstrates the emergence of main concern Theoretical coding (chapter 4, section 4.4) shows how the theory of *Optimising for Growth* explains what is happening in the substantive area. Chapter 5 adds to the explanation
Workability *"Does the theory work to explain relevant behaviour in the substantive are of research?"* (Glaser, 1998, p.17)	Demonstrate the resolution of the main concern with as fewer categories as possible Demonstrate how core category accounts for much of the variations in patterns of data Demonstration the abstraction of categories	Selective coding (chapter 4, section 4.3) shows the resolution of the main concern using 6 categories *Appendix 5 From Data to Concepts* illustrates variation captured within categories Chapter 5 section 5.4 further abstracts the theory in light of the integration with the extant literature
Modifiability *"Is it readily modifiable as new data emerge?"* (Glaser, 1998, p.17)	Demonstrate capacity for being altered if and when new relevant data is sought Demonstrate how study can be extended into other contexts or, if necessary, used to move from a substantive theory to a more formal theory	Codes and categories are modifiable throughout all three coding stages, open, selective and theoretical, as the new data emerged (chapter 4) Chapter 6, section 6.7 Opportunities for Future Research discusses how the theory is likely to apply to board contexts other than ventures

Source: Table Developed by the Author based on Glaser (1998)

In summary, the researcher has committed to comply with Glaser's evaluative framework throughout the research process, as discussed above. This entails following the tenets of the grounded theory procedures, and transparently presenting the results of the analysis and coding procedures, which is done in chapters 4 and 5. The evaluation of the study's grounded theory against the criteria of fit, relevance, workability and modifiability, is included in chapter 6.

3.3 Gaining Access

To design the research it is necessary not only to consider the philosophical foundation and method, but also to weigh up practical aspects of the field work. These aspects include time available to carry out the study, availability of different types of data and the degree of difficulty of gaining access to research participants.

Since much of theorising in corporate governance derived quantitatively from published corporate information about companies and directors of large public firms, it is well established that the field would benefit significantly from qualitative research that engages directly with boards and the individuals sitting on boards (Stiles, 2001). As discussed above, such benefits would include, for example, a better understanding of the nature of boards, provide context-specific rich insights into board activity and expand the field with knowledge of much sought after behavioural perspective (Pettigrew, 1992, Huse, 2005, Roberts, McNulty and Stiles, 2005, Pye and Pettigrew, 2005, Zona and Zattoni, 2007). Ultimately this would help to effectively extend existing board theories and models and thus revealing the full potential of corporate governance (Daily, Dalton, and Cannella, 2003).

However, it has also been widely acknowledged that direct access to boards and specifically those sitting on boards is very difficult, if not “virtually impossible” to achieve (Leblanc and Schwartz, 2007, p. 843). Boards by nature are elite and closed work groups that come together intermittently, typically once a month, to face complex strategic tasks and decisions (Forbes and Milliken, 1999). There are two access points that are typically

used by qualitative researchers to ascertain what happens on boards. One way involves directly attending board meetings and/or obtaining board meeting proceedings. Observation and longitudinal studies can provide a very rich source of data (Starks and Brown Trinidad, 2007). There are already longitudinal studies of US-based venture boards, such as Garg (2013). Practically however, the researcher would need to attend at least one year's worth of board meetings (10-12 meetings) to gain enough data, get understanding of actions on boards and observe a change in the venture performance. This is because investment is typically sought to last 12-18 months, so the company has time to experiment with getting to market or building its technology. At the end of the period the company would either need for a follow-on investment to keep growing or if it fails to gain traction, it needs to consider closing down. Accessing board data via observation at board meetings would have an impact on the choice of method and objectives of the study. Such a study would typically be a longitudinal study of most likely just one company. For the purposes of completing this study, attending regular board meetings has been considered impractical as it would present a logistical difficulty for the part-time researcher. Additionally, given the high risk of failure not only of delivery of the strategy and the business plan, but also of the entire business, it will simply be not possible to select a startup company where it could be predicted with certainty that the company survives over the period of the research. Therefore, committing to a longitudinal observation of a venture board is extremely risky. Time constraints and uncertainty about the survival of startups meant that ethnography and longitudinal approaches were not feasible.

Boardrooms, of course, are not the only place to study boards (Roberts, McNulty and Stiles, 2005). Most importantly, when researching patterns of behaviours and processes, the selection of participant directors does not need to be linked to the data of a specific company they are on a board of. Therefore, the second way to access this data is by speaking with individual board members, using interviews. This is a well-tested type of access utilised by qualitative researchers in corporate governance (Stiles, 2001, McNulty, Zattoni and Douglas, 2013). Although interviewing directors might present other types of challenges to consider. For example, directors are bound by confidentiality, fiduciary duty and legal responsibility to act in the interest of company shareholders (Leblanc and Schwartz, 1997, Forbes and Milliken, 1999). Therefore, there is a risk the quality of information might not be sufficiently in-depth as directors might protect against increased scrutiny (Daily, Dalton and Cannella, 2003). Another example of a challenge is director consideration of liability from exposure for director mis-behaviour. This challenge has been reflected upon in parallel with the ethical consideration of bringing no harm to participants.

Directors are also corporate elites characterised by high power and lack of time (Mikecz, 2012). The high-power position is not only relative to their expert status but also vis a vis a novice researcher. Elites are well-recognised in research as a type of a participant and interviews with them have to be aligned with their diary availability and location (Conti and O'Neil, 2007, Stephens, 2007). Preparation ahead of the elite interviews is also vital (Berry, 2002, Harvey, 2011, Thuesen, 2011). This in turn has an impact on the research design strategy and how interviews will be conducted, face-to-

face or via telephone. Since access to directors is so rare, and the costs of travelling for interviews are so high, research design must be flexible to accommodate this. However, on a positive note, venture directors, especially investor directors, would typically have a disproportionally large number of board appointments, and therefore a very well placed to speak about patterns of processes and behaviours across many experiences they have. Moreover, founder directors are typically quite open to share their experiences with others. Speaking with directors about their experiences is well aligned with the purpose of this research.

In summary, although the problem of access to boards is well recognised, it is not completely impossible and interviews with individual directors as a method of accessing boards and an approach to primary data collection is a credible method among qualitative corporate governance research and it also fits with the practical constraints and timescales of this study. Access to directors on boards of early ventures, will, however, remain a significant concern until the field work starts. The research design of the study will, therefore, include a pilot study to test access to early venture directors. The outcome and learning points from the pilot will determine the feasibility of the study.

3.4 Ethical Considerations

This study has complied with Northumbria University's Research Ethics and Governance Policy. The Faculty's Ethics Committee has granted its approval for research on the 30 January 2017 (as shown in Appendices). However, upholding the integrity of the research stems not only from complying with policies but also from careful considerations of ethical issues throughout the research process (Silverman 2006, Symon and Cassell, 2012). These issues converge around four themes: a careful consideration of causing no harm to participants, gaining informed consent, analysing and reporting the data honestly and taking responsibility for the findings (Bryman and Bell, 2012, Urquhart, 2013).

Firstly, considering the issue of causing no emotional, physical or commercial harm to participants is addressed by taking care to protect the identities of individuals and organisations as well as any personally or commercially sensitive data at every stage, including findings and publication of the research (Bryman and Bell, 2012). In this study, directors have been interviewed about their experiences on venture boards. In the UK, a free national database owned by the Companies House, a government organisation responsible for the registration of all companies and their directors among other things, allows to easily identify all directors in any company or all directorships an individual might have. Furthermore, since the Venture capital industry is quite small, individuals and companies might be easily identifiable by knowing just the location, director gender, or details technology or a market sector. Therefore, extra steps have been taken to

protect the identities of participants, their companies as well as their interview accounts. This means only a general profile of participants is provided. The names of participants were kept separately from the interview audio and transcript files in a password protected database. No third parties were used to transcribe the interviews, the researcher personally transcribed the audio files. Any reference to the names, locations, companies, pertinent technology or market sector information and any other detail that might lead to identification of the participants, have been removed from transcripts prior to analysis. Transcripts were given a number as identifier; this identifier was used to keep a record of data incidents when they have been used to build concepts. Furthermore, this research only uses selected and limited quotations in text to show the grounding of findings in the primary data and no extended quotations or transcripts sections are included in the thesis.

Secondly, the ethical issue of gaining informed consent from participants is addressed by letting the participants know about the purpose of the research, what kind of data is being collected, how it is stored, used and published (Bryman and Bell, 2012). Providing this range of information allows participants to make an informed decision about taking part in the study. As part of this research, when approached, participants were emailed a brief about the purpose of the research, the interview themes asking for permission to audio record the data and to use it in the publications. It was specifically emphasized that this research is not about writing up vignettes or case studies of any individuals, boards, VC firms or startups but to identify patterns of processes and director behaviours that are common across early venture boards. The University's Informed Consent Form was used to gain

the agreement in writing. Participants were also advised they could have a copy of the transcript and could amend or change their account or indeed pull out at any time during the research process. Brief details of the research process, including how the data will be published, have also been outlined since most participants were quite interested in being informed about the results.

Thirdly, the issue of representing the data honestly is approached by a personal value commitment to complying with the techniques for gathering and analysing the primary data (Symon and Cassell, 2012). This study follows the canons of the classic grounded theory and this involves a high level of transparency in reporting how concepts and findings have been developed from directly from the primary data.

Finally, research findings have potential to instigate a wide variety of change ranging from practical recommendations, to theoretical extension of knowledge (Urquhart, 2013). Therefore, the researcher needs to anticipate the consequences of the potential impact of their findings, contribution and recommendations (Tarling, 2006). When researching a problem in a specific context, such as this study exploring early venture boards in the UK, the researcher should be particularly conscious of presuming that findings from this one context could be generalised onto other, for example here, extending the findings from early venture boards to boards of family-owned firms or larger corporations that are trading on Stock Exchange. Therefore, findings, contribution and recommendations from this research study have been explicitly discussed in Chapter 6.

In summary, ethical considerations are not a separate one-off reflection at the beginning of the study, but a matter of attention and thought throughout the entire duration of the research project (Humphries and Martin, 2000, Sin, 2005). In this research study, ethical issues have been anticipated and considered as discussed above.

3.5 Pilot Study

Due to significant concerns about access to venture directors, this study began with a pilot. The objectives of the pilot study were as follows:

1) To test access for an in-depth interview with different types of early venture board directors;
2) Based on the outcome, to consider on the level of homogeneity of issues of concerns among different types of directors, i.e. Founder, VC Investors or NEDs, thus deciding whether main study should start the field work from a perspective of any particular director type.

This section provides details on the selection of participants as well as the approach to interviews for the pilot study. It also reviews the pilot and discusses how its outcome influenced the data collection of the main study.

3.5.1 Pilot Participant Selection

As it was previously discussed, at top level the substantive population consists of two types of directors – Executive Directors, i.e. Founders or Chief Executive Officers (CEOs) and Non-Executive Directors, which can be further classified as independent Non-Executive Directors (NEDs) and VC Investor Directors, representatives and appointees of investors (Garg and Furr, 2017). Sometimes venture boards also include a Business Angel as Investor Director or NED. However, it is not unusual for venture boards to comprise only of founders and VC Directors (Garg, 2013). The basic criteria for selecting participants for this study was therefore a current or a recent, within 12 months, venture board appointment.

As part of the pilot, eleven interviews have been conducted between August 2017 – June 2018. To gain access, the researcher reached out to own network of investors, venture advisors and non-executive directors, asking for introductions to target participants. This approach to gain access is common in the research community when access is difficult and direct access to boards in the field of corporate governance research is well-documented as being problematic (Pettigrew and McNulty, 1995). The eligibility of potential participants was verified before carrying out the interview. Also, in cases where direct introductions were being made, it was ensured that both introducer and the introduced were aware of the ethical implications of not being able to provide full anonymity to participants in situations of introductions and to ask them to respect each other's anonymity.

The eleven participants included a range of different types of board venture directors and comprised of 2 Venture Capital Investor Directors, 5 Founder Directors, 1 replacement CEO, 2 independent Non-Executive Directors and 1 Angel Investor Director.

The VC Investor Directors had over 10 years of experience in Venture Capital. They were at Partner or a Senior Director level at VC firms with funds that specialised in investing in early stage tech startups. Both had multiple current experiences on boards of investee companies, taking either a board seat or an observer seat. Their experiences included working at different stages of company development, from very early startups to rapidly growing ventures as well as several experiences of venture failures.

The independent Non-Executive Directors (NED) were both very experienced NEDs, with previous CEO experience and several venture board experiences including a current position.

The Angel Director had over 10 years of experience investing as a Business Angel and held several Angel Director positions, including a current one.

The Founder Directors were from companies in early stages of development in their company lifecycle, at the date of the interview their companies were 3 years old or younger since the formal incorporation date. 4 Founder Directors were in the CEO role and 1 in the CTO role. All were first time founders. Additional interviewed participant was a replacement CEO, as opposed to a Founder CEO, this company was over 6 years old, however it was still in early stages of development and the CEO was a first time CEO. The 6 ventures were backed by either a Venture Capital firm or by a syndicate of investors including a VC firm. The investment received was up to £1.5m. They were all first-time CEOs/CTO, including the replacement CEO, and their companies had the formal board of directors for at least 12 months. Table 3 provides a summary of pilot participant profiles.

Table 3. Pilot Participants Profile Overview

	Director Type	Profile Summary
1.	VC Investor Director	• Over 10 years of experience in at least 2 Venture Capital firms investing in early stage tech ventures • Over 10 Investor Director and Observer board appointments • Board experience includes very high growth companies and failed ventures
2.	VC Investor Director	
3.	Founder, CEO	• First-time founders, CEOs, board experience • Ventures in early stages of development in their company lifecycle, 3 years old or younger • Received up to £1.5m investment • Had formal board of directors for at least 12 months prior to the interview
4.	Founder, CEO	
5.	Founder, CEO	
6.	Founder, CEO	
7.	Founder, CTO	• First-time founder, CTO, board experience • Ventures in early stages of development in their company lifecycle, 3 years old or younger • Received up to £1.5m investment • Had formal board of directors for at least 12 months prior to the interview
8.	Replacement CEO	• First-time CEO, no founder experience • Replacement CEO, first time board experience • Venture in early stages of development in company lifecycle, 6 years old • Received up to £1.5m investment • Had formal board of directors for at least 12 months prior to the interview
9.	Independent NED	• Very experienced NEDs • CEO experience • Several venture board experiences
10.	Independent NED	
11.	Angel Investor Director and NED	• Over 10 years of experience investing as a Business Angel • Previous CEO experience • Held several Angel Director positions

Source: Table Developed by the Author, 2020

Overall, the 11 participants represented a broad range of venture director types. Such diversity provided a solid base to consider the feasibility of the main grounded theory study (Eisenhardt, Graebner, and Sonenshein, 2016).

3.5.2 Pilot Interviews

In anticipation of access problems, the participants were approached for a one-hour interview at their convenience. Contrary to the expectations of some reluctance to take part in a research interview, everyone who was approached had agreed to participate. Led by the participants' preference, majority of pilot interviews were conducted face-to-face with two done over the telephone and one over video skype. The actual interview duration ranged between 35 and 90 minutes, averaging at 49 minutes. All interviews were digitally audio recorded having obtained a consent. Extensive notes were also taken during the interviews.

Interview Guide is available *in Appendix 4 Interview Guides*. The pilot interviews were structured into four broad parts as follows:

Part 1. Introduction and general background of participant and their role in the venture.

> Executive Directors (CEOs/CTO) spoke about their own venture and its growth journey so far including milestones and investment.
>
> Non-Executive Directors spoke about their experiences on boards whether as investor or an independent NED, including elaborations on skills and experiences they bring.
>
> Prompts were given to provide specific examples.

Part 2. Issues of concern about the company in their role as director.

Examples of issues they dealt with as board member. Prompts to speak about issues of importance and significance.

Asking for examples of actions, interactions and behaviours on how these were addressed by the participant or their fellow board members. Inviting to describe the board dynamic at the time.

Prompts to provide specific examples of circumstances surrounding the events as well as reactions of other board members. Additional prompts about decisions made.

Part 3. Board – what happens on boards, interactions, communication and contribution.

Executive Directors spoke about their own board.

Non-Executive Directors spoke about their experiences on boards whether as investor or an independent NED, with prompts for specific examples.

Prompts to give examples of a typical board meeting, agenda, preparation for it and actions after. Additional prompts to explore communication among board members during and between board meetings.

Asking for examples of contribution by board members. Executive directors were asked if they solicited board's help, examples of that, how they went about asking for it, what kind of contribution they

received and what they did following this contribution. Non-Executive directors were asked to provide examples of contribution they made or have been asked to make, similar prompts were given to elicit details.

Part 4. Lessons from experience and wrap up

Directors spoke about key take-aways from their experience and they affected their view on venture boards and why.

Prompts to describe the most important lessons they learnt through experiences on venture boards. Asking for details on how these were discovered and if their views changed over time.

Additional prompt for anything of importance that we didn't talk about that appeared relevant and anything they thought the researcher should know to better understand what happens on venture boards.

Since all Founder Directors were first time CEOs/CTO and had no previous or any other board appointments, they were asked about their experiences on boards of their own venture. VC Investor Directors, independent Non-Executive Directors and Angel Director were asked about their current board appointments and past experiences.

Table 4 summarises the interview structure and lists interview questions used. Interview Guide is also available in *Appendix 4 Interview Guides*.

Table 4. Pilot Interview Questions

Interview Part	Example Interview Questions	Example of Relevant Prompts
Part 1. Introduction and general background of participant and their role in the venture	To start with, could you please give me an overview of your background and what you do? To set out the context for our conversation, could you please tell me about your board experiences so far?	Prompts were given to seek specific examples: Could you please tell me about the journey of company growth? How is your board structured and organised? In your role as a director, please give example of what do you get involved with most?
Part 2. Issues of concern about the company in their role as director	In your role as venture director, what seems important and significant to you? Please tell me how these issues were resolved? Please describe the board dynamic at the time.	Prompts to seek specific examples about issues of importance and significance. Prompts to seek specific examples of circumstances surrounding the events as well as behaviours, actions and reactions of other board members.
Part 3. Board – what happens on boards, interactions, communication and contribution	Please describe an example of interactions of directors during the board meeting and outside the board meeting. Could you please describe any significant actions you or your fellow board directors took to facilitate growth of the company? Could you recall any significant decisions that your board had to make? Please give me an example of director interactions or behaviours that help facilitate growth? From your experience, could you tell me about changes in director behaviour over the course of investment?	Additional prompts about decisions made. Additional prompts to explore communication among board members during and between board meetings.

Interview Part	Example Interview Questions	Example of Relevant Prompts
Part 4. Lessons from experience and wrap up	Could you describe key learning points from the board experiences you had so far? How would you describe an effective board and why? Is there anything of importance you would like to add? Is there anything we didn't talk about that appears relevant? Is there anyone you think I should be talking to about venture boards? Is there any feedback you would like to give me?	Prompts for details on learning points, how these were discovered and if their views changed over time.

Source: Table developed by the Author, 2020

3.5.3 Review of Pilot Study

The pilot study allowed the researcher to investigate access to participants, the issue of huge impact on carrying out a grounded theory study using interviews in the substantive population of venture board directors. First, the study would not have been possible if the researcher was not able to get access to interview venture directors. Second, equally, if the data from interviews lacked examples of situations illustrating what happens on venture boards, the study would not have been viable. Thirdly, it was pertinent to understand whether different types of directors had similar or different concerns since the first step of GT study was to identify the main concern of participants and how they resolve it. If different types of directors had different concerns, then the GT study would be required to start the study from a perspective of a single director type. The pilot allowed to review these concerns thus establishing the feasibility of the study.

Contrary to the expectation of access problems so widely acknowledged in qualitative corporate governance literature (Leblanc and Schwartz, 2007), the researcher has not experienced any issues with accessing directors. Not a single director that was approached refused to take part in research interviews. Only on one occasion an interview had to be rearranged 3 times and took several months to find a suitable date. All interviews were arranged based on the availability and preference of participants and to suit their diaries. The mode of the interview, i.e. face-to-face or digital, was also chosen to suit the participant.

All pilot participants were accessed via researcher's own network and personal introductions and this worked really well as access strategy. No difference in gaining access was observed depending on the type of director approached, whether it was a Founder, NED or a VC director, all equally agreed to take part.

Generally, company directors are bound by confidentiality and so there is always a risk that data obtained through interviews might not be sufficiently in-depth for a theory-building study (Leblanc and Schwartz, 1997, Forbes and Milliken, 1999). For example, an interview which lacks depth would be characterised by general accounts and sweeping statements such as 'what we do in such situations is…', 'we tend to act as…, 'you will find that…', 'when we are working on…'. Although this type of data has been usefully defined by Glaser (Glaser, 1998, p.9) as "vaguing out" and is an acceptable type of data for building a grounded theory, it is just one type of data and it becomes problematic to generate insight-led concepts if such vaguing out occurs consistently across many interviews.

During the pilot, the researcher was aware of the signals and was ready to prompt for specific examples. Only during one interview an account of experiences contained many general statements. Most other participants provided examples of situations, director interactions and behaviours based on specific experience they wanted to illustrate, often there was no need for naming names or provide any information that could be considered confidential. Since this issue has been observed only on one interview, it was reasonable to conclude that going forward the depth of data would not be a

major issue. Additionally, there was no apparent difference in depth of data whether interview was conducted face-to-face, via video skype or telephone. Both face-to-face and digital interviews had examples of a duration range at the extreme opposites, i.e. interviews lasting 90min and interviews lasting 30min. One instance of 'vaguing out' occurred in a face-to-face interview.

Grounded theory is used to explore previously under-researched areas of substantive interest. To explore the unexplored, a classic GT study begins by identifying the main concern of participants and the process through which they resolve it. As such, the grounded theory is then built around the relationship between the two (Glaser, 1992, Urquhart, 2013). The concept of the main concern emerges through constant comparison technique and development of codes and categories. When substantive area of population has different types of participants, such as different types of venture directors, researcher must consider the degree of homogeneity of concern among different types of participant since the main concern may differ significantly among types of participant. Identifying the main concern and the process for its resolution is the first stage of GT data collection and analysis and therefore if participants have significantly different perspectives, identifying a common main concern, and moving to the next stage, could be problematic. For example, in their study of Awareness of Dying, Glaser and Strauss (1965) have collected data from terminally ill patients, nurses, doctors and other types of participant in the substantive population. However, they approached the fieldwork by beginning to follow "personnel around the service" for terminally ill, expanding it to other staff members, patients and the context of different hospital wards (Strauss and Glaser,

1965, Preface). The emerged theory provided “an eye-opening view of how patient care was affected by the awareness level of the dying process by nurses, physicians, and patients” (Andrews and Nathaniel, 2015, p.3). Strauss and Glaser (1965) claimed that patterns of interactions among the substantive population were not occurring accidentally, but predictably, and therefore the knowledge of such patterns would help the hospitals and staff in their care for dying patients (Strauss and Glaser, 1965).

As discussed previously, the substantive population of venture directors broadly consists of three different types of participants: Founder Directors, Investor Directors and independent Non-Executive Directors. Post pilot, the researcher considered differences of participants’ experiences and insights they provided during the interviews. Not surprisingly, the experiences of different types of participants were quite distinct. For instance, interviewed Founders only had just one board experience. Their single experience was also limited to director interactions during early stages of company development. Conversely, the interviewed VC Directors had multiple board experiences, their data stood out because they were in a unique position to contrast and compare their different experiences, provide multiple examples to illustrate behaviours of different directors in different ventures under similar or different circumstances. Most interestingly, VC Directors have experienced the full cycle of company development, growth and failure, multiple times and therefore gave examples of a wider variety of situations. Similarly, NEDs had multiple board experiences across different stages of company development cycle. They also provided very interesting in-depth examples of various situations. However, one issue stood out: other

participants, i.e. Founders and VC Directors, very rarely mentioned NEDs in their interviews. This reflects the existing literature (Garg, 2013) that post-investment during early stages, venture boards are typically constructed of just founders and investor directors. This observation implied that if NED's perspective is selected to begin the GT study, the researcher might run into difficulty getting access to interview enough NEDs.

Given that Founders had a single board experience which was limited to early stages of company development, it was rational to choose perspective of VC Investor Director as a starting point for data collection of this study. Together, these considerations have shown that VC Directors were in a unique position of having an unusually high number of director appointments. This allowed them to draw on a vast range of situations to illustrate board experiences. The data they provided was remarkably rich comparative data (Hallen and Eisenhardt, 2012). This type of data showed potential to most likely to deliver on obtaining the variance in behaviours and interactions of directors on venture boards. Since the goal of GT is to "generated a theory that accounts for the patterns of behaviour which are relevant and problematic for the participants", VC Director perspective emerged as most promising starting point (Glaser, 1998, p.117) Thus, the quality of data, its potential to deliver on variance in behaviour and availability of access steered the decision to start data collection from the perspective of VC Investor Director. This approach is in line with Glaser's guidance to "begin by talking with the most knowledgeable people to get a line on relevancies and leads to track down more data and where and how to locate oneself for a rich supply of data". (Glaser, 1978 p.45).

It is important to highlight here that the aim of the study was not to focus on any specific type of a director but to discover the emergent problem for the substantive population of directors on early venture boards and its resolution (Glaser, 1978). In grounded theory, the emergent problem discovered in one context from a certain perspective, eventually transcends that context by comparing data incidents obtained via theoretical sampling of data from other sources and contexts (Glaser, 1998). Thus, the problem gets conceptualised and attains a “conceptual generality” (Glaser, 1998, p.125).

In summary, the discussion of pilot outcomes has confirmed the feasibility of a GT study in the substantive area of interest using interviews. It also provided a rationale to start data collection from a perspective of VC Director.

3.5.4 Using Pilot Data

Despite the fact that the researcher has not experienced access issues during the pilot, access to directors for interviews is problematic, relatively uncommon and widely acknowledged as being difficult in the literature (Pettigrew and McNulty, 1995). The interview data itself is data about director interactions and behaviour, it is unavailable from other sources, unusually rich comparative data and, in fact, quite rare (Hallen and Eisenhardt, 2012). Glaser's basic tenant of grounded theory is that "all is data" and advocates for the researcher to "only see what incidents come his way as more "data" to constantly compare, to generated concepts and to induce the patterns involved" (Glaser, 1998, p.8). Since pilot data has been collected directly from the substantive population of venture directors about the area of interest, i.e. boards, it is therefore an appropriate data for this study of venture boards, and it is justifiable to use this data source for analysis. In fact, Glaser encouragingly supports a "secondary analysis of data already collected for other purposes" emphasizing that such data is valuable to the researcher to theoretically sample from at an appropriate stage of research (Glaser, 1998, p.9, Andrews et al., 2012). More recently, theory-building research in the field of corporate governance also supports and advocates for using multiple sources of data and using previously collected data as part of the systematic analysis to generate theory (Hallen and Eisenhardt, 2012, Eisenhardt, Graebner, and Sonenshein, 2016). Therefore, it was considered that pilot data would be used during selective coding and theoretical sampling stage of the main study.

3.6 Data Collection

In a grounded theory study data collection happens concurrently with data analysis, moving from the data to empirical conceptualisation and to theory (Glaser and Strauss, 1967, Heath and Cowley, 2004, Urquhart, 2013). Thus, as soon as the first piece of data is collected from the substantive population, it gets analysed and the outcome then determines what data needs to be sampled next and the best source of such data (Urquhart, 2013). In a GT thesis, the evolution and results of this iterative process are usually presented together and can be found in the next chapter. This section, therefore, simply summarises the process and highlights the approach to the data collection, including an approach to selecting participants and to interviewing, for the purposes of clarity and transparency.

3.6.1 Concurrent Data Collection and Analysis: Summary

In line with the tenets of the classic grounded theory, the process of simultaneous data collection and analysis in this study took place over three stages (Glaser, 1998):

1. Initial interviews with participants and open coding to identify their main concern and core category;
2. Selective coding from pilot data and further interviews guided by theoretical sampling around the core category; and
3. Further interviews guided by theoretical sampling, coding theoretically for relationship between categories.

During the first stage, the goal was to identify participants' main concern or basic social problem (Glaser, 1992, 2001). Knowing the participants main concern and identifying patterns of behaviour adopted to resolve it, is the basic premise of classic Glaser grounded theory method (Glaser, 2001, Jones and Noble, 2007). The data collection an analysis process commenced with interviews of VC Directors. Open coding began as soon as the first interview data was collected, and it involved constructing initial codes and categories through constant comparison and memo-writing. Having developed 52 open codes and a memo bank of 90 memos, the main concern has emerged. The core category also emerged throughout the coding and analysis process. Open coding and analysis are detailed in the next chapter.

The second stage was triggered once core category was known. Coding became selective, where only core category and categories related to it were coded for and irrelevant categories were abandoned (Glaser, 1978). Further data collection was sampled theoretically i.e. the researcher collected data relevant to core and related categories (Glaser, 1998). Pilot data and new interviews were deemed as the best sources of such data. At this stage interview questions became more focused and derived from emerging concepts (Urquhart, 2013). Data collecting, coding and sampling continued until all categories have been saturated, i.e. when new incidents of data do not yield new properties (Glaser, 1978). Theory advancement was thus progressed through selective coding and theoretical sampling as emerging categories were used to direct further data collection until all relevant categories were "saturated, elaborated and integrated" (Glaser, 1992, p.102, Heath and Cowley, 2004).

The third and final stage could be distinguished by the beginning of theoretical coding which was used to identify theoretical code in order to conceptualise how concepts related to each other. This was aided by memo sorting and write up. This took place while stage two and theoretical sampling was still ongoing, which is not unusual in a GT study, and thus collection of data was attuned in real time to fit with the theoretical development of concepts and the relationships between them (Glaser and Strauss, 1967). Once the theory was sufficiently grounded, the researcher engaged with the literature in the substantive field of interest by relating it to the outcomes (Glaser, 1992).

Table 5 summarises the data collection stages and sources, and links it to the stages of analysis and coding activities:

Table 5. Overview of Data Collection linking to Data Analysis and Coding

Data Collection (Chapter 3)	**Overview**	**Participants**	**Link to Data Analysis and Coding Stage (Chapter 4)**
Initial Interviews	Main concern and core category emerged	5 VC Investor Directors	Open coding stage
Pilot Interviews and New Interviews via Theoretical Sampling	Sampled theoretically using pilot data and further interviews	Pilot participants (11 interviews) Further new 3 VC Investor Directors	Selective coding stage
Further Interviews via Theoretical Sampling	Sampled theoretically using further interviews	Further 5 interviews with VC Investor Directors and NEDs	Theoretical coding stage

Source: Table developed by the Author, 2020

The data analysis and coding stages are presented in detail in the next chapter. This rest of this section provides information about the approach to participant selection and interviews.

3.6.2 Participant Selection

During the main study, 13 new interviews were carried out and with the pilot's 11 interviews, the total number of interviews for this study comes to 24. From the outset, the main data collection began with interviews with VC Investor Directors, as per the rationale discussed above during the review of pilot study. The same selection criteria have been applied for the initial interviews as for the pilot: i.e. all VC Investor Directors had a current venture board experience. As data collection progressed, the selection of participants in the main study was guided by the needs of the emerging grounded theory and followed the GT procedure of theoretical sampling. Theoretical sampling involves gathering data purposefully, where the type of data and the best source of it is determined on analytical grounds of the emerging theory (Urquhart, 2013). The next chapter includes details of the analytical grounds and requirements for theoretical sampling.

Table 6 provides a summary of profiles of participants across the three types of directors throughout the data collection. It assigns participants with a unique identifier which is then used in quotations in the subsequent chapters. In order to protect the anonymity of interviewees, the directors have been abbreviated by type, i.e. VC Investor Directors have been assigned an identifier of VC, as VC1-VC12, Founder Directors have been assigned an identifier of F, as F1-6, and Non-Executive Directors have been assigned an

identifier of NED, as NED1-6. Since interviewed angel investors also had a NED position in the business, they were included into the NED director type.

Table 6. Main Study Participants Profile Overview

No	Participant – Director Type	Profile Summary	Assigned Identifier for Quotation Purposes in Analysis
1.	VC Investor Directors	• Over 10 years of experience in VC firms investing in early stage tech ventures • Over 10 Investor Director and/or Observer board appointments • Board experience includes very high growth companies and failed ventures	VC1-12
2.	Founder Directors	• First-time founders, CEOs, board experience • Ventures in early stages of development in their company lifecycle • Received up to £1.5m investment • Had formal board of directors for at least 12 months prior to the interview	F1-6
3.	Non-Executive Director	• Very experienced NEDs • C-suite experience • Several venture board experiences	NED1-6

Source: Table developed by the Author, 2020

3.7 Interviews

Due to the concurrent nature of data collection and analysis in grounded theory, careful planning was required to allocate sufficient time between interviews to allow for analysis (Glaser, 1978). Therefore, interviews were sufficiently spaced out so that each can be analysed immediately after it occurred. Thus, the researcher went into the main data collection and analysis with a realistic calculation of time required to transcribe and analyse data from an interview before moving on to the next data collection point.

In order to access geographically dispersed participants to their convenient time and date, most of interviews were conducted via telephone or skype. It is not unusual to use telephone interviews to "mitigate logistical issues during a grounded theory study" (Birks and Mills, 2011a).

The approach to interview design has followed the GT procedures. Thus, the objective of collecting data via interviews was two-fold: initial interviews were carried out to discover the participants' emergent main concern and how they resolved it (core category), and then subsequent interviews were used to saturate categories only relating to the emergent core using theoretical sampling for the data and its source (Glaser, 1998). The duration of interviews was between 37 and 74 minutes, averaging 49 minutes. Consent has been obtained as shown in Appendix 1.

3.7.1 Initial Interviews

In line with the grounded theory procedures, initial interviews were designed to explore director experiences as openly as possible, allowing participants to steer the direction of the interview so that the researcher could develop an understanding of key issues of concern they face (Bryant and Charmaz, 2010). The interview questions were open-ended and designed to learn as much as possible about directors' experiences, their possible concerns, reactions, observations and thoughts.

In preparing for the initial interviews to identify participants main concern and its resolution, the pilot interview questions were refined in order to maximise the acquisition of relevant non-forced data (Glaser, 1992, p.25). Having listened to interview audio recordings and re-read the transcripts from pilot interviews, it became apparent that participants easily took up to 20 minutes of the interview speaking about their background, their skills and, as such, not spoke directly about their board experiences. It also stood out that when participants eventually did speak about their boards, they focused on board composition, systems and processes, board meetings structure and papers. This meant more frequent prompts were necessary to elicit examples of interactions and behaviours. Therefore, going into the main data collection, interview questions were refined and thus opened with a question about participants' experiences on venture boards as opposed to a question about their background. The remaining questions were re-structured to maximise the elicitation of non-forced examples of issues of importance, interactions and variance in behaviour.

Interview Guide is available *in Appendix 4 Interview Guides*. Broadly, the initial interviews consisted of three parts:

Part 1. Experiences

In the first instance the interviews opened with ‘tell me about your experiences on boards’, thus ‘instilling the spill’ (Glaser, 1992). Picking up on experiences mentioned, several prompts followed ‘Tell me more…You mentioned X– could you tell me more about this experience?’

Part 2. Issues of importance and how they got resolved

The second part picked up on specific examples of issues within participants’ experiences, repeating what was mentioned and delving into what happened, how issues were addressed and resolved, prompting for illustrative examples of reactions to the actions from other board members (Urquhart, 2013).

Typical questions and prompts included: ‘This seemed important to you as director on boards of ventures… Why, could you tell me more about this? How did you go about addressing this? Could you tell me more about how this got resolved? Please tell me about the reaction of other directors?’

Part 3. Change in behaviour over time

The third part explored experiences of differences ‘When you look at your experiences, could you tell me about a situation where one of

your boards did something differently? Could you please describe the most important lessons you learnt through your experiences on boards on boards of VC-backed startups? How did you discover that? Have your views changed over time?'

Participants were prompted to provide examples from their experiences across current and past relevant boards. All participants were encouraged to speak about their own specific experiences, providing real situational examples where possible, rather than giving out an opinion or making general statements.

3.7.2 Interviews via Theoretical Sampling

As soon as the main concern and its resolution (core category) have emerged during the analysis, the cycles of data collection and analysis progressed into selectively coding for categories relating to the emergent core and sampling theoretically for necessary data determined on analytic grounds (Glaser, 1998). In line with the canons of grounded theory, the interview questions became increasingly focused according to the needs of the emerging concepts and theory (Bryant and Charmaz, 2007). The details of the progression of the requirements for questions and sampling are provided in the next chapter. Interview Guide with example questions for Theoretical Sampling, is also available *in Appendix 4 Interview Guides*.

3.8 Chapter Summary

This chapter explained the positioning of this study as a classic grounded theory research carried out from an interpretivist philosophical perspective. This positioning is aligned with the aim of this study to understand what happens on early venture boards and to develop a theoretical framework on early venture boards.

The chapter also offered the results of a pilot study and, based on the its conclusions, summarised an approach to data collection for the main study.

The next chapter provides details of the process of data analysis and its results, demonstrating the compliance with the procedures of the classic grounded theory method.

Chapter 4 Data Analysis

4.0 Introduction

In this study, data analysis was based on the procedures of classic grounded theory (GT). Specifically, these procedures include open coding, selective coding, theoretical sampling, theoretical coding, memo writing and sorting (Glaser, 1978). Therefore, the purpose of this chapter is to present how these procedures were implemented, thus providing, as far as possible, a transparent account of the emergence and development of categories, and of the relationships between them, from the data. By doing so, the chapter demonstrates the process used to develop the substantive grounded theory, the theory of *Optimising for Growth*.

The first section of this chapter summarises the three stages of data analysis, providing a high-level picture of the purpose and the outcome for each stage. Sections which follow then give details. Thus, the first stage of the analysis, open coding, is described in the second section. The section shows how initial codes and categories were generated and developed using the distinct GT analytical techniques of constant comparison and memo taking (Glaser, 1978). It provides a summary of open codes built up during this first stage. Importantly, the section also explains how the main concern of participants and the process they use to resolve it have emerged as the core category.

In classic GT, identifying the main concern and its resolution are the signals for moving to selective coding (Glaser, 1998). Thus, the third section of the

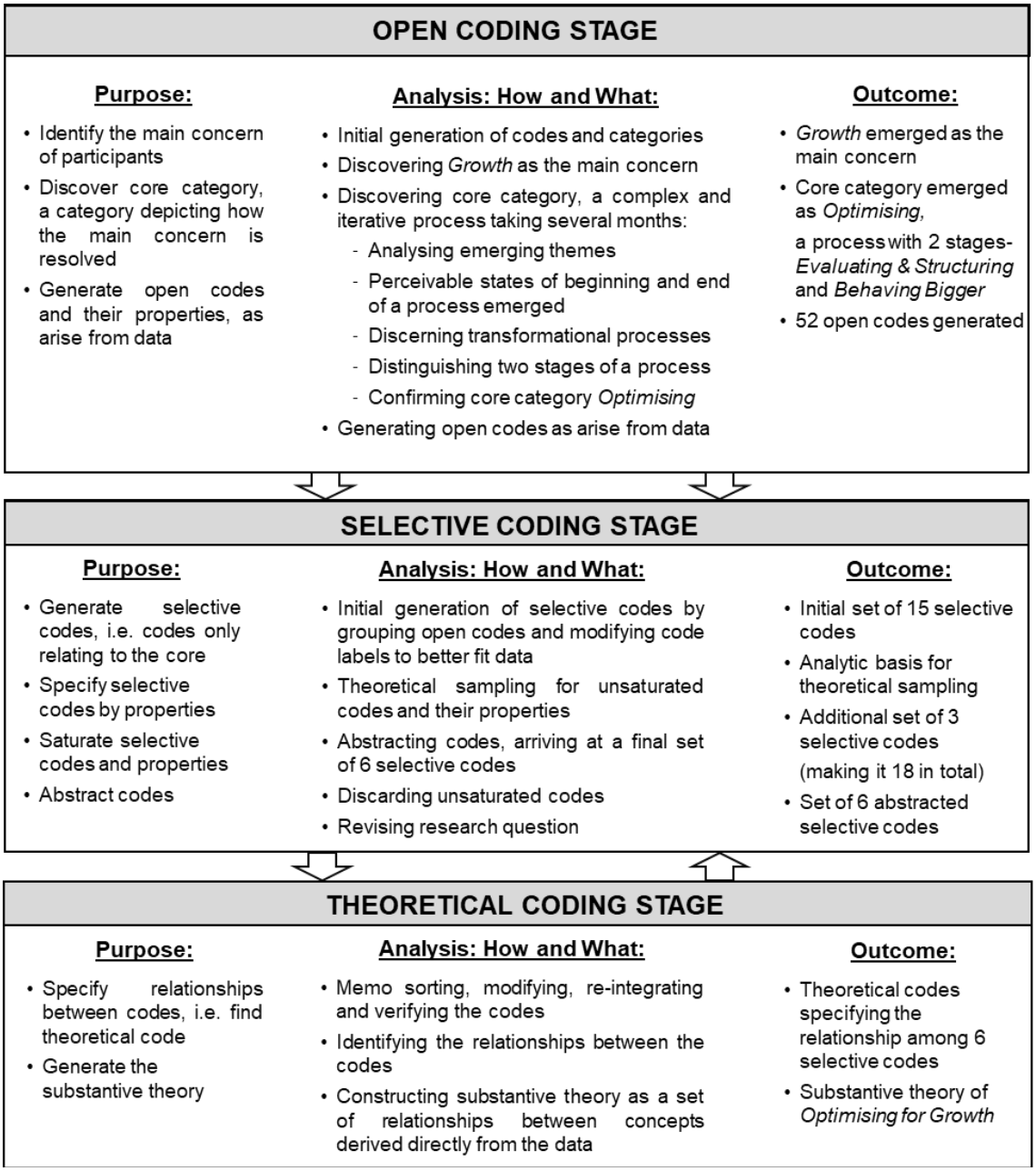
chapter demonstrates how coding progressed from open codes to selective codes through the process of selective coding, i.e. coding only for categories relating to the core and specifying, connecting and abstracting the emerging categories. The section also evidences saturation of categories using the principle of theoretical sampling which involves collecting further data based on the state of completeness of emerging concepts from analysis. By doing so, it essentially illustrates the distinct dynamic feature of the grounded theory of the interaction between emerging analysis and the evolution of the research question. As a result, the substantive area under investigation is conceptualised empirically by emerged set of selective codes clearly shown as grounded in collected data (Glaser, 1978).

The fourth and final section details the process of theoretical coding. Theoretical coding is the process of advancing selective codes into theoretical codes by relating them to each other and conceptualising those resulting statements of relationships (Glaser, 1998). Essentially, in classic grounded theory, this is the process of theorising and it is supported by procedures of memo sorting and forming a set of theoretical codes. The section culminates with the outline of the developed theoretical relationships, the foundation of the substantive grounded theory of *Optimising for Growth*.

4.1 Stages of Data Analysis

As it was previously mentioned, using a grounded theory method, data analysis is done at the same time as data collection (Glaser, 1978). The approach to collecting data was outlined in Chapter 3, *Section 3.6 Data Collection*. Interview guide is also available in *Appendix 4 Interview Guides*. The process of data analysis consists of 3 stages: open coding, selective coding and theoretical coding (Glaser, 1978). Figure 1 summarises the purpose, what was done, and the output of each stage of analysis in this study.

Figure 1. Stages of Data Analysis



Source: Figure developed by the Author, 2020

Although Figure 1 gives an impression of a very clean flow of the data analysis process from open coding to selective, from selective to theoretical coding, in reality, the analysis is much more iterative in nature as opposed to being linear and delimited (Glaser, 1978). This means codes are frequently reorganised and even renamed (Urquhart, 2013).

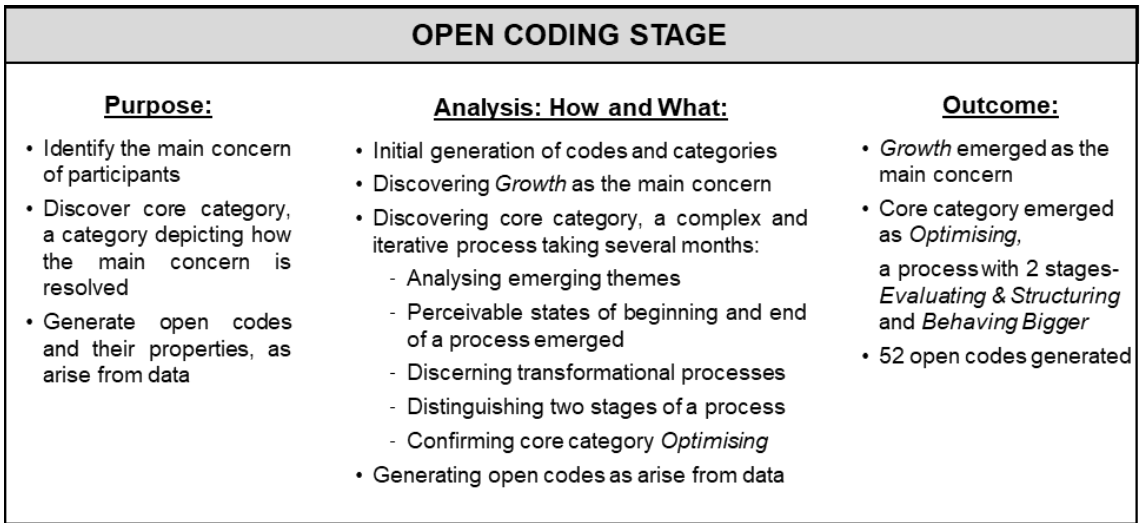
Since the process has been continuously iterative and because through it the researcher has generated a huge volume of open codes and properties, the full audit trail of the transformation of data into theory is impossible to showcase (Glaser, 1998). However, this chapter have provided several examples of the transformation where possible.

4.2 Open Coding Stage

GT recommends starting the investigation with a focus on identifying a common problem expressed by participants and recognising how they go about dealing with it (Glaser, 1978).

Thus, as shown on Figure 2 below, the purpose of the initial stage of analysis is to identify the main concern of participants and a core category which depicts how this concern is being processed or resolved (Glaser, 1992). Whilst researcher is looking for the main concern and core category, the analysis also generates a set of open codes and together these represent the output from the open coding stage. The rest of the section accounts for how the process of open coding was carried out.

Figure 2. Open Coding Stage



Source: Figure developed by the Author, 2020

4.2.1 Initial Generation of Open Codes and Properties

Thus, data analysis of the main study began once the first piece of data was collected via an interview with a VC Investor Director, VC3 (for list of participants and their identifiers see *Table 6. Main Study Participants Profile Overview*. The voice-recorded audio file was transcribed and then analysed using open coding technique. The open coding is a technique which brakes data into descriptive episodes or incidents of something happening, and constantly compares them to each other for similarities and differences (Glaser, 1978). Constant comparison is a process of asking basic questions as follows (Glaser, 1998, p.140):

> *"What category does this incident indicate?"*
>
> *"What property of what category does this incident indicate?"*

In order to aid the discovery of the main concern in the initial stage, the research is also advised to add the third question ((Glaser, 1998, p.140):

> *"What is the participant main concern?"*

Thus, by asking the first two questions, similar incidents were grouped together and given a label, a process also known as naming a code. GT recommends to initially give names to codes 'in-vivo' or in the language of the data itself (Glaser, 1978, Urquhart, 2013). This is because naming the codes using participants own words instantly gives them authenticity and becomes a "source of important analytic insight about the world of the participants" later in the process (Urquhart, 2013, p.103). In this study, there is no claim that these code names are "correct", since the research has been

carried out from interpretivist philosophical perspective (Urguhart, 2013, p.81). Categories were formed by comparing codes to other codes and grouping them (Glaser, 1978).

Table 7 illustrates how the researcher began analysing the first interview data using open coding and constant comparison techniques. The table shows a short excerpt from the first interview and demonstrates how it was broken into data incidents which were then given a code name:

Table 7. Open Coding. Illustration of Initial Generation of Codes

Interview Excerpt (VC3) Main Study's First Interview	**Breaking down the Interview into Data Incidents**	**Generated Initial Code (Open Code)**
I think all the boards are broken, I think they are generally, the board of directors function isn't really fit for purpose in the 21 century. Well I just think a lot of directors of companies, the independent ones, turn up unprepared, they haven't read the prepared, the board pack beforehand. I think a lot of CEOs don't do a great job preparing a board pack in the first place and they send it out too late for the directors who do want to get involved and understand what's happening, to read and think about it. (*Investor Director*)	I think all the boards are broken I think they are generally, the board of directors function isn't really fit for purpose in the 21 century	**Broken Board Function**
	a lot of directors of companies, the independent ones, turn up unprepared, they haven't read the prepared, the board pack beforehand	**Turning up Unprepared**
	a lot of CEOs don't do a great job preparing a board pack in the first place	**Preparing Badly**
	they send it out too late for the directors who do want to get involved and understand what's happening, to read and think about it.	**Notice Period Late**

Source: Table developed by the Author, 2020

Thus, Table 7 has illustrated the generation of four initial code names: *Broken Board Function, Turning up Unprepared, Preparing Badly,* and *Notice Period Late*. Code names *Broken Board Function* and *Notice Period Late* have a direct link to the participant's own words.

When breaking interview data into data incidents, in order to aid constant comparison and as recommended by GT, a neutral question was asked to each data incident "What category or property of a category does this incident indicate?" (Glaser, 1998, p.140). This enabled for codes to be developed and generated via a continuous comparison process.

For example, as this initial interview with VC3 was further analysed, there were several additional data incidents which described similar happenings as initial codes illustrated in Table 8, thus indicating they belonged to the same code. These additional data incidents were grouped together, and the code names were evolved to better reflect what was happening. This process also began revealing properties of some codes.

Property of a code is also a code which helps with describing it (Urquhart, 2013). Initially, the naming of the property is most likely to come directly from the data, i.e. in-vivo and in participants own words, however, as analysis progresses, the aim is to "go beyond that initial description and analyse it" (Urguhart, 2013, p.36).

Code properties could take many forms: they could be describing a type, a degree, a stage, a dimension, or any other feature of a particular code or category (Glaser, 1978).

For example, as analysis progressed, the initial code *Notice Period Late* has transformed into *Notice Period* with two properties *Upfront* and *Late*. As illustrated in Table 8, *Notice Period* has itself become a property of a category *Board Pack Provision*:

Table 8. Illustration of Developing Open Categories and Properties

Open Category	Property	Sub-Property	Data Incidents from interview with VC3
Board Pack Provision	Preparing	Badly	• a lot of CEOs don't do a great job **preparing** a **board pack** in the first place • Typically you find that the CEO has turned it [board pack] out the night before • they are late in **preparing**
	Notice Period	Upfront	• send the board pack 2-3 days beforehand • giving the board packs **upfront**
		Late	• they send it out too **late** for the directors who do want to get involved and understand what's happening, to read and think about it. • poor **notice period** in order to read it, a lot of detail does not get read it at all • they are **late** in preparing and therefore and the board directors can't prepare
Turning up	Unprepared	-	• a lot of directors of companies, the independent ones, **turn up unprepared**, they haven't read the prepared, the board pack beforehand • if the CEO sent out the pack the night before or the morning of the meeting, you know, if I have meetings all morning I **won't be able to prepare** either • there is a vicious circle that they are late in preparing and therefore and the board directors **can't prepare**

Source: Table developed by the Author, 2020

Several important observations can be made from the coding thus far. First, as Table 8 shows, using properties the researcher was beginning to capture

variations in data (Glaser, 1978). Thus, using the example above, at this stage of analysis, *Board Pack Provision* can vary as follows:

- badly prepared board pack sent upfront; or
- badly prepared board pack sent late.

Second, example data incidents also indicate a relationship between *Preparing Badly* and *Sending Late,* the properties of *Board Pack Provision*, and directors *Turning Up Unprepared* to a board meeting.

To capture this relationship, GT recommends using memos, a simple, free-style record of analytical ideas about codes and relationships between them (Glaser, 1978, 1992). Memos have an emergent nature, they change at each stage of analysis, as more data is analysed (Glaser, 1992). During the final stages of analysis, ideas captured in memos get sorted to organise the relationships between final codes and categories. Therefore, memos play a very important role in generation of the grounded theory (Glaser, 1978).

GT suggests to memo whenever an idea comes to mind, whether it is during or post interview, during transcribing, analysing or simply thinking about the work (Glaser, 1978). Writing memos provides space to develop a deep understanding of inter-relationship between codes, something that's not easy to capture through the process of just systematically codifying similar data incidents.

To illustrate this, Figure 3 shows a copy of the initial memo taken to note the relationship between *Board Pack Provision* and *Turning Up Unprepared.* The memo example shows that it was subsequently updated with other ideas as they emerged while analysing this interview. As this memo was about a

relationship between categories, it was named to reflect this relationship, *Directors Preparing*.

Figure 3. Illustration of Initial Memo and its Development

Initial Memo
Directors Preparing Data indicates a relationship between the CEO *Preparing Badly* the Board Pack (BP) and/or sending it *Late* to the board ahead of the meeting and the ability and the level of preparedness of other directors (NEDs, VCs) for the board meeting (*Turning up Unprepared*). *Badly Preparing the BP* seems to indicate that BP has a quality to it (to keep in mind as a future category). If BP is *Well Prepared*, its *Quality* would be *High*, and if BP is *Badly Prepared* its *Quality* would be *Low*. It is indicated further in the data that *Badly Preparing* and *Notice Period Late* are indicators that the CEO does not value the board (see category *CEO Valuing Board*). The data describes and reveals a relationship between several categories as a *Vicious Circle*: *CEO not Valuing Board*, *Badly Preparing* and *Sending Late* pack, directors *Turning Up Unprepared* and therefore unable to *Add Value* at the meeting, completing the loop and going back to 'square one' *CEO not Valuing Board*. There seems to be an additional relationship between *Directors Preparing* and *Board Function*. *Vicious Circle* is an indicator of a *Broken Board Function*.

Source: Figure developed by the Author, 2020

As Figure 3 illustrated, writing a memo helped capture relationships between different properties and categories.

4.2.2 Identifying the Main Concern

According to Glaser (1998), the participants' main concern is a category which emerges to represent the unfolding interactions. During analysis, it can be ascertained by reflecting on a question "*What is the participants' main concern?"* while examining the interactions signified by emerging open categories (Glaser, 1998, p.140).

To help with this reflection, the researcher kept a memo exploring clues for identifying the main concern of the participants while analysing the initial interviews**.** Figure 4 includes the copy of this memo, showing the reflection and analysis process that enabled to uncover the participants' main concern.

Figure 4. Memo Discovering the Main Concern of Participants

Memo
Discovering Main Concern – What is the participants' main concern? Thinking about the main concern of participants, one issue seems to stand out. It is a concern expressed by participants that venture boards are not fit for purpose: *"I think all the boards are broken" (Investor Director)* *"the board of directors' function isn't really fit for purpose" (Investor Director)* *"My focus from day one is obviously get in there and work out whether it is going to be fit for purpose" (Investor Director)* Several questions arise here: 'Being fit for purpose', what does it actually mean, when a board is fit for purpose? What is the board's purpose here and what are the options for this purpose? What would indicate a fit?

On the one hand, according to data, the 'purpose' or role of the venture board at such early stage of development, is not governance. In participants own words:

> "*if you think corporate governance is your role on the board, you are missing the point*" (*Investor Director*).

Data indicates a lot of activity happening across participant experiences trying to resolve this fit, i.e. identifying gaps in skills, structuring boards to fit those, getting access to the right reporting information at the right time, establishing communication channels and relationships, developing trust. This is indicated by codes/categories *Identifying Gaps, Composing Boards, Board Functions, Preparing to Board Meeting, Deep Understanding of the Business, Avoiding Surprises, Vicious Circle, CEO-Board Communication*, etc. This activity seems to be persisting across all participants experiences. Related categories are saturating fast, i.e. no new properties come up with new data, even at such low numbers of interviews. Everyone I interviewed so far is involved in this activity in one way or another.

The question arises: is this the participants' main concern? Are participants concerned with the role of the board being 'fit for purpose'?

On the other hand, however, data also indicates that board being "fit for purpose" is just an initial concern of Investor Directors. This concern is something that is happening immediately post-investment. Data also indicates a reason for this issue – worry about the board being 'fit for purpose' takes place simply because ventures do not typically have a board before the first investment. Therefore, as a concern, it seems to be limited to a specific period. Getting a board to fit for purpose could be just a standard (to all early stage ventures) exercise to get board systems and processes in place.

As it has such temporary nature; it therefore cannot be the 'main' concern. So, what happens if/when the venture board is 'fit for purpose', i.e. appropriately structured and organised? Is there a bigger picture here and a bigger or different concern that persists beyond this initial structuring exercise?

Perhaps it would help to observe what else is happening apart from board structuring and organising and if it all can be brought together as one common concern that sums up all the issues/problems participants are experiencing.

Apart from board structuring, I have several categories indicate activities relating to the development of Founder Director - *Educating and Mentoring the CEO, Becoming CEO.*

There are also emerging categories indicating interactions which are centred around the future of the company: *Helping, Future Focusing*, *Behaving Bigger*.

At this stage I am also beginning to build conceptual profiles of different director types: Founder Director, VC Director and NED, mainly with *Demographic characteristics, Experience* and *Mindset*.

A useful perspective comes to light when reflecting on *Portfolio Mindset* and *Taking a Long-Term View* categories, which summarise a mindset perspective and the bigger picture for the interviewed participants, VC Directors. Participants speak about being investor-directors on several boards of their investment portfolios, how they have a need to take a long-term view on their individual company investments, exiting their investments by selling companies, and delivering returns of the investment fund as a whole. To some degree, the motivation of participants, i.e. VC Directors, and their material interest appear to go beyond the confines of a board of a single company.

Since this is a study of director experiences on boards, pursuing this as the main concern would be outside the scope of the study and mean taking this research into a different direction away from exploring director interactions on early venture boards.

Bringing it back to the venture board level, what are the concerns of participants as directors on venture boards as opposed to directors of an investment fund?

There are indications in data that the board structure, interactions among directors and the company itself go through a change. This happens by the point of the next investment. This change is indicated by categories *Growth Company Characteristics, Identifying Gaps at Next Stage, Board Changes.*

Participants usefully highlight their focus of interest throughout this period as "*needing to secure a growth*" in the company, to the position where the venture could successfully raise the next investment round, preferably a Series A, a multi-million-pound investment.

In order to get the next investment, the company "*growth curve had to hit a certain range*". This seems like a useful insight to understand the issue that participants, i.e. board directors, are dealing with post first investment.

Data keeps indicating that achieving not just growth but *"huge growth*" as a chief concern of participants. The essence of this concern appears to reflect the purpose behind several unfolding interactions among directors on venture boards. Data suggests that everything that directors do, including structuring and organising boards, developing CEO, helping to focus on the future, is aimed at getting the company to grow quicker and at an exponential rate in order to be in shape for that next 'serious' investment round.

Usefully, *Growth* as a category is also emerging and is being defined by several properties, including, *Rate of Growth* and *Growth Curve Gradient*.

Achieving *Growth* is therefore a reasonable candidate category for the main concern of participants as directors on early boards.

As Glaser puts it, you recognise the main concern because it is grounded in the data, it is "meaningful" to the participants and "salient to the setting under investigation", i.e. early stage ventures (Glaser, 1996, p.105). Growth has been identified as meaningful to the interviewed VC Directors and at the same time relevant to the setting of early venture boards.

Source: Figure developed by the Author, 2020

The memo demonstrated the analysis of several codes and the relationships between before arriving at *Growth* as being the main concern of participants.

It was illustrated that several candidate categories for the main concern have been considered and rejected. For example, *Board Structuring*, although frequently occurring and quickly saturating, could only account for some of the participants' problems, but not others. Another example, an open code *Delivering Returns on a Whole Fund*, was situated outside the scope of the setting for this investigation, the setting of early venture boards. The memo showed that candidate categories indeed related to each other and they also emerged to be part of the bigger and distinct picture – a concern to achieve exponential *Growth*.

The grounded theory method's criteria for identifying the main concern is that it is something that is "meaningful" to the participants, i.e. it is indicated by data and often referred to by them, as well as being "salient to the setting under investigation" (Glaser and Kaplan, 1996, p.105). In this case the memo demonstrated how the identified category conformed to these criteria. Thus, following extensive consideration, reflection and analysis, the data revealed that the essence of participants concerns revolved around ventures achieving *Growth*. It was often referred to by participants and in their own words the main concern can be illustrated as follows:

Growth – Main Concern:

> *"in Venture Capital, we are trying to optimise to grow huge companies" (VC3)*
>
> *"What we are after is not necessarily profit, but big growth" (VC3)*
>
> *"The growth curve had to hit a certain range" (VC4)*
>
> *"Ultimately needing to secure growth in the portfolio company is the most important thing for a VC" (VC5)*
>
> *"the only thing that matters to the investor is one out of 10 companies would go through the roof and the others will be killed, if they don't move forward" (VC6)*
>
> *"[it] comes through in everything the director is doing to help the company or persuade them to go down a particular product line, as that is a bigger market, so then the company would grow more quickly (VC7)*

The data from the analysis of Growth revealed that participants defined growth using non-traditional accounting measures of company performance (Garg, 2013). To them, growth had to be 'huge', 'big', 'steep', 'going through the roof', as opposed to not 'hitting a certain range', not 'moving forward' or 'almost going backwards'. Whilst traditional accounting measure of company performance include turnover, profit, number of employees, *Growth* emerged to be defined by non-traditional measures, or properties, such as *Rate of Growth and Growth Curve Gradient*. Chapter 2 earlier discussed that due to unpredictable nature of early venture performance against plan, they tend to use more subjective measures of performance (Fried, Bruton and Hisrich, 1998). The main concern category, *Growth*, has emerged as illustrated by examples of data incidents in the Table 9.

Table 9. Emerging Main Concern

Category for Main Concern	Properties	Data Incidents (participant quotes)
Growth	Growth Indicators:	
	Rate of Growth	*"we are after is not necessarily profit but big growth and therefore long-term value" (VC3)* *"MRR and ARR should be sufficient that at least the Serious A is in theory possible" (VC4)* *"from a sales perspective you know the key things typically are probably rate of growth, quality of customer" (VC4)*
	Growth Curve Gradient	*"it was still profitable, you know, but ultimately its growth curve was less steep than it had been" (VC4)* *"the growth curve had to hit a certain range and if it didn't and even if we were growing, we were still kind of almost going backwards" (VC4)*

Source: Table Developed by the Author, 2020

As data analysis progressed through the stages, the category of *Growth* has been developed and saturated further. See *Table 16. Main Concern Category - Growth* for the final conceptualisation of the main concern. Also, see *Appendix 5 From Data to Concepts* for all final categories.

As part of the analysis process which identified the main concern, the researcher has also generated a large number of open codes. These are discussed later in this section and summarised in *Table 11. List of Open Categories.*

.

4.2.3 Discovering Core Category

The next analytical task was to identify how participants resolved their main concern, i.e. the core category of the grounded theory. Identifying core category in this study, however, was not an easy and straightforward task, as Glaser (1978, p.95) points out:

> *"when analyst starts coding, categories tend to emerge quickly, giving the appearance of finding core categories. But the analyst should be suspect of these as core. It takes time and much coding and analysis to verify a core category…it happens 'eventually'!".*

As the researcher proceeded with open coding, constant comparison and memo writing, the analysis generated a vast number of open codes. These are discussed later in this section and summarised in *Table 11. List of Open Categories .* This set of open codes provided a good basis for exploring how participants went about resolving their main concern of *Growth*.

According to Glaser (Glaser and Kaplan, 1996, p.111) the resolution, or core category, "is a central integrative scheme". Glaser (1978) and Glaser and Kaplan (1996) offer guidance for confirming the core category. Thus, it is recommended to begin by comparing emergent open categories and their properties to each other (Glaser, 1978). The goal is to look for a category which relates meaningfully to all other categories and appears to be central to all others. By doing so the core category would thus account for and explain most of variations in the data. This is another reason why it takes some time to identify and saturate the core category, because many categories may appear central and be frequently reoccurring in the data, but not all would have the ability to account for most of what is going on (Glaser, 1978).

The process of uncovering of the core category was very challenging due to an overwhelming number of open codes generated at this stage. It was an iterative process of much re-organising, comparing emerging open categories and their properties to each other, trying out categories for core, arranging and thinking (Glaser, 1978). The main challenge was to find a resolution category which accounted for all that was happening, and which also addressed the participant's main concern. Moreover, such category should have also explained the variations in data that are being captured using dimensions (Glaser, 1978).

Broadly speaking this process involved the following activities:

- noticing open categories emerged in three themes;
- realising the core category was a process because
    - observed categories indicating perceivable states of beginning and end of a process or activity, thus
    - discerned several emerging processes of transformation for founder, company and board;
    - distinguished two stages of a process;
- finally discovering and confirming core category of *Optimising*

These activities are discussed in more detail in the following sub-sections.

4.2.3.1 Themes Emerging Among Open Categories

In order to uncover the core category, as recommended, the researcher carried out a comparison of emergent open categories and their properties to each other (Glaser, 1978). By doing so, open codes and categories were grouped into three themes (see *Table 10*). Thus, the data suggested that in order to resolve the main concern, i.e. *Growth*, directors were involved in activities in those three areas, emerging to be consisting of:

a) open codes describing structural components and processes depicting how boards are structured and organised;
b) open codes and categories representing learning, cognition, thinking and feeling; and
c) open codes and categories of patterns of director actions and behaviour.

For example, categories that indicated components and processes of how ventures boards are structured and organised included, among others, different director types (Founder, VC Director and NED), and their characteristics, as well as open codes such as *Identifying Gaps*, *Types of Gaps*, *Composing Boards, Board Pack, Board Meeting, Preparing for Board meeting, CEO-Board Communication, Getting Rid of CEO*.

Emerging categories suggesting learning, cognition, emotion and feelings can be illustrated by categories such as *Educating and Mentoring CEO/Founder, Becoming CEO, Evolved CEO, Aligning Mindsets, Trust*. Processes of learning, cognition and feelings are often referred to in GT as social-psychological processes (Glaser, 1978).

Developing patterns of behaviours and interactions between VC directors and Founder directors that became apparent throughout analysis include categories such as *Gaining Deep Understanding of the Business, Avoiding Surprises, CEO Reaction, Board Meeting Behaviours (Challenging, Raising Hard Questions, Getting out of the way), Helping, Future Focusing, Seeing Failure*.

Table 10 illustrates how the open codes emerged into three themes.

Table 10. Emerging Themes of Open Codes

Emerging Theme 1	**Structural Components and Processes i.e. how boards are structured and organised**
Open Categories	**Open Codes included in the Category**
Founder Director	Characteristics of Founder Director (First time Everything, Mindset)
VC Director	Characteristics of VC Director (Types of Experience, VC Portfolio Mindset, Focusing on the Winners, Taking a long-term View)
NED	Type of Experience, Soft Skills, Incentivisation
Board Size	Small, Large
Identifying Gaps	Post First Investment, At Next Stage
Gaps Types	Systems and Processes Gaps, KPI Gaps, Governance Gaps, Skills and Experience Gaps
Composing Boards	Choice, Investor Seat, Filling Gaps, Blending Experiences and Skills, Balancing Execs and Non-Execs
Board Meeting	Good/ Bad, Evolving, Structure
Board Pack	Getting it Right, Structure, Quality of Information, Notice Period
Preparing to Board Meeting	Preparing well, Preparing badly
CEO-Board Communication	Effective, Ongoing, Transparency, Familiarity, Contact, Tone
Getting Rid of Founder/CEO	-

Emerging Theme 2	**Social-Psychological processes and characteristics**
Open Categories	**Open Codes included in the Category**
Educating and Mentoring CEO/Founder	-
Becoming CEO	-
Everyday Challenge for CEO	-
Evolved CEO	Attributes of Evolved CEO (Dealing Succinctly, More Experienced, Mindset, Having Clear Asks, Taking Ownership)
CEO Reaction	-
Board Mindset	Aligned/Misaligned
Emerging Theme 3	**Patterns of Actions, Behaviour and Director Interactions**
Open Categories	**Open Codes included in the Category**
Tapping into Board Experience	Using Board/ Not using the Board
Added Value	Type, Measurability, Context, Quality
Aligning Power	-
Helping from Experience	-
Communication Approach	Importance, Constructive, Destructive, Coaching
Communication Style	Aggressive, Subservient, Passive-Aggressive
Gaining Deep Understanding of the Business	-
Avoiding Surprises	-
Behaviours During Board Meeting	Challenging, Adding, Raising Hard Questions, Getting out of the Way
Helping	-
Future Focusing	-
Seeing Failure	-
CEO Reaction	Accepting and Acting, Inaction
VC-Founder Relationship	Building Active Relationship (Effectiveness, Change in Relationship after Investment)

Source: Table Developed by the Author, 2020

The researcher found several potential ways to structure and connect the categories together (Urquhart, 2013). The question here was, of course,

what kind of category would sum up such diverse set of processes, distinct, and sometimes contradictory behaviour patterns, whilst reflecting the substance of director experiences and what was occurring on early venture boards?

According to Glaser (1978), a core category could be a set of types, conditions, dimensions or strategies which would relate to all other categories, for example via a hierarchy. However, a core category does not have to be a category which is connected to all others hierarchically. It could, in fact, be any structure or configuration, including a process (Glaser, 1978). Glaser (1978, p.97) has explicitly written about process-type core categories defining the process as “something which occurs over time and involves change over time”. A process-type core category is characterised by having two or more distinct stages, each with own properties, conditions and consequences, and by having a time dimension, i.e. there is a movement over time with a perceivable beginning and end (Glaser, 1978, p.97).

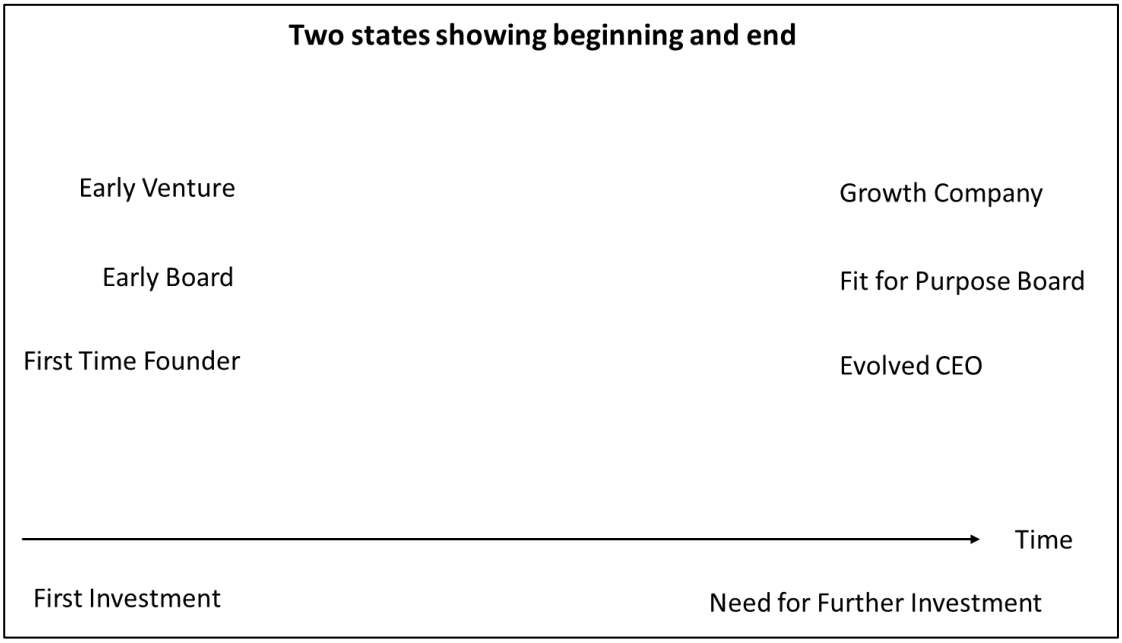
Three things in the data signalled to the researcher that the core category is a process-type core category. First, there were categories with two perceivable states of beginning and end each, which in turn indicated a change over time (Glaser, 1978). Second, there were several structural and social-psychological processes that accounted for transformation from one state to another (Glaser, 1978). Third, there were embryonic shapes of at least two distinct stages.

These are discussed in more detail in the following sections.

4.2.3.2 Perceivable States of Beginning and End

The first indicator of a core category being a process was noticing several categories with perceivable states of beginning and end. Figure 5 below illustrates these three categories. Thus Venture, Board and Founder emerged perceivable states of beginning and end each, thus indicating a change over time:

Figure 5. Emerging Categories with Perceivable Beginning and End



Source: Figure Developed by the Author, 2020

Venture: Early Venture – Growth Company

Thus, *Early Venture* category included emerging characteristics of *Informal Style, Low Technical Risk, Uncertainty, Requiring Multiple Round of Funding, Potential to Scale Fast* and *Performance Below Target.*

And *Growth Company* was specified by properties *Taking a Large Funding Round* and *Company Size.*

Board: Early Board – Fit for Purpose Board

These were discerned by variations in structural and cognitive processes as well as director behaviours.

Founder: First Time Founder – Evolved CEO

The *Founder Director* category was characterised by *First Time Everything* and *Mindset.*

And the *Evolved CEO* category could be distinguished by *Level of Experience, Mindset,* and *Approach to Dealing with Issues.*

4.2.3.3 Processes of Transformation

The second indicator of a process-type core category was the fact that there were several structural and social-psychological processes that accounted for transformation from one state to another. For example, *Becoming CEO* was a social-psychological process internal to founders which indicated a transformation from inexperienced first-time founder into a more skilful head of the company. Another example is categories such as *Identifying Gaps and Composing Boards, Getting Board Pack Right, Evolving Board Meeting* all indicate a structural process transforming *Board Functioning*.

The processes were also accompanied by emerging patterns of predictable non-random interactions between VC Directors and Founder Directors, including, for example, *Helping, Changing* and *Future Focusing*. One particular pattern was conceptualised as *Vicious Circle,* as it referred to self-perpetuating nature of unhealthy CEO-Board relationship, where CEO does not value the board, is late at sending the board pack, the pack sent is of low quality, directors are not well prepared, directors cannot add much value at the board meeting or value is of low quality, leading back to CEO not regarding board as a valuable asset.

Additionally, data captured polar-opposite variations of some patterns of behaviours and interactions, for example:

Telling What To Do --- Not Telling What To Do

Touch-basing Regularly --- Board Meeting Only Contact

4.2.3.4 Two Emerging Distinct Stages of the Process

The third indicator which signalled a process-type core category consisted of embryonic shapes of at least two distinct stages and a time dimension. The first stage has emerged and was noted while analysing data to uncover the main concern of participants. Writing about it in a memo (see above *Table 9. Emerging Main Concern*), it was recognised as a group of composing, structuring and formalising activities transforming the structure and functioning of the venture board, i.e. the mix of skills and company processes to be 'fit for purpose' of helping to grow. Notably, these activities happened immediately post-investment and were a time-limited exercise to formalise systems and processes of *Early Venture*. These activities have been grouped as Stage 1 and named as *Evaluating and Structuring Stage*.

The second stage emerged to incorporate all other activities of attuning and changing systems, processes, teams, mindsets as well as monitoring performance. This stage was characterised by a wide range of structural changes taking place internally and externally to the company. Internally, for example, as well as working on technological and product development, teams were changing, with new people joining and existing people taking on wider roles, inevitably leading to new relationship dynamics. Externally, at the same time, the company was experimenting with different 'go-to market' strategies, product-market fit, trying to grow their customer base and revenues. These changes placed founders under unique set of pressures to deliver on expectations within extremely unstable and ever-changing internal and external environments while at the same time, for most of them, this was

their first instance dealing with such issues. This Stage 2 was named using participants' own words, *Behaving Bigger Stage*, anticipating to capture structural and social-psychological transformations of the company, board and the founder. A need for further external investment signalled the end of this stage.

4.2.3.5 Discovering and Confirming Core Category of Optimising

As a consequence of recognising the concepts portraying characteristics of early and growth venture, board and founder as well as transformational structural and social-psychological processes taking place over two stages, the core category has emerged as a process. It was named *Optimising*, taking inspiration from participant's own words:

Optimising – Core Category Resolving Main Concern Growth:

> *"in Venture Capital, we are trying to optimise to grow huge companies" (VC3)*
>
> *"the board should be about helping, facilitating and optimising" (VC3)*
>
> *"part of the evolution […] for me is to show that progress not just in terms of finances, but, you know, this is very much when we need to build an exec team, build a non-exec team, build the whole board, formalise it and structure it properly" (VC4)*
>
> *"You need to start pretty early and make sure you've got all of the stuff in good order" (VC5)*
>
> *"It's always a chess game to get the best outcome" (VC6)*

Optimising emerged as a process of transformation, where structural attributes of venture and board, and cognitive attributes of founder and the directors, are developed, adjusted and enhanced via a set of activities and behaviours, in order to foster growth of the company.

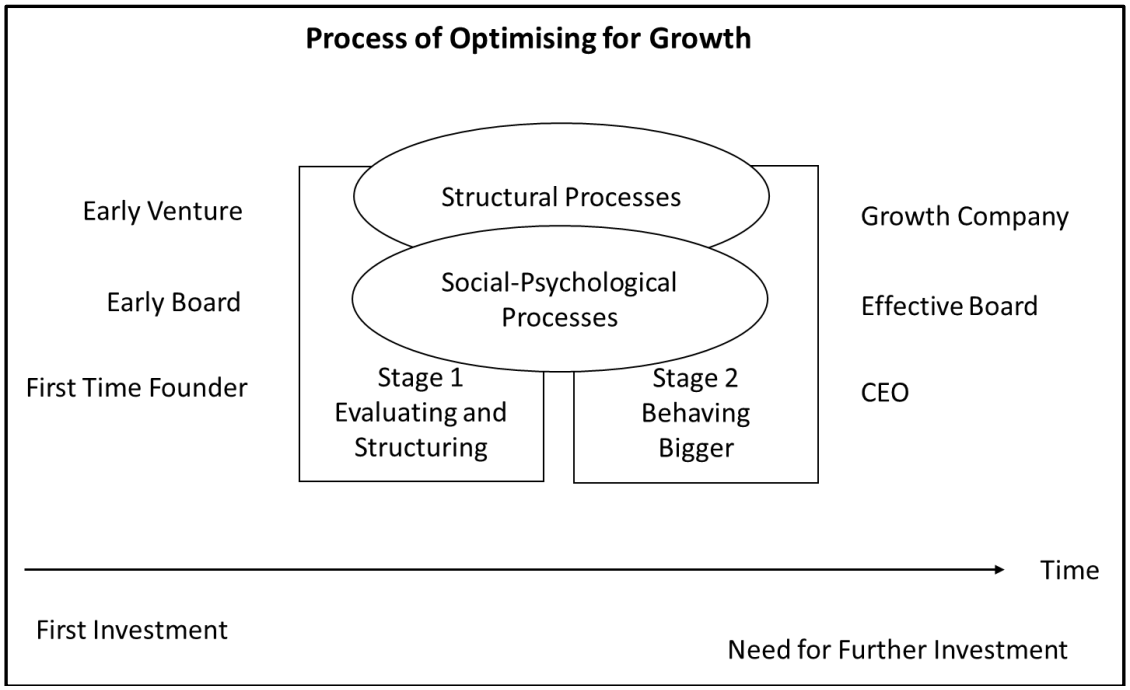
Research into activities of VCs suggests they are heavily involved in professionalise ventures they invest, in order to enable the company to float on a stock exchange via an IPO (Hellmann and Puri, 2002a). Professionalising of startup firms is described as a process of raising a standard of all organisational aspects of a new company, including the

management team (Harper, 2001). Upon reflection, it is not surprising, therefore, that optimising was found in this study to be a core process resolving the main concern of VC Directors during the early stages of startup development. Thus, whilst the bigger picture for investor concern is exit, during early stages, this study suggests it is about achieving a high rate of growth. Consequently, early investors are optimising company to achieve growth in order to take it to the next stage of venture development lifecycle and obtain further investment. Data shows, *Optimising for Growth* explained what was happening on early venture boards, including variations being captured by emerging dimensions of categories.

To summarise, the core category of *Optimising* has emerged as a process-type category. Connecting the main concern and the core category, the process has been conceptualised as a process of *Optimising for Growth* (Glaser, 1998)*.* As such, to resolve their main concern, i.e. striving to achieve exponential growth, the data revealed that directors engaged in a process of *Optimising.* This process contains two stages – Stage 1 *Evaluating and Structuring* Stage and Stage 2 *Behaving Bigger Stage* and it involves a structural and social-psychological transformation of the company, its founder and the board. The process takes place during the period post initial investment, i.e. between the first investment and the next investment round, a period typically lasting 12-18 months.

Figure 6 illustrates the shape and structure of the core category, as emerged at that stage of data analysis, clearly indicating a process-type core category.

Figure 6. Uncovering the Core Category



Source: Figure Developed by the Author, 2020

The Figure 6 shows how the process-type core category of *Optimising* permitted to organise into a "central integrative scheme" several processes and interactions that otherwise might seem disconnected (Glaser, 1996, p.111). It visually captures the initial view of the identified core category, containing the emerging 2 stages, indicators of the transition states of company, board and founder and transformation processes.

4.2.4 Generation of Open Codes

Whilst analysing data to identify the main concern and core category, researcher has carried out open coding.

Using a constant comparison technique, data incidents from new interviews were grouped into either new or existing open codes. Several properties emerged to define open codes. The researcher wrote memos noting ideas, relationships and connections between emerging categories, properties and codes (Glaser, 1978).

As part of the data analysis process, open codes were continuously re-organised and renamed, based on new data or properties that emerged, which is a natural occurrence during the coding process of the grounded theory method (Glaser, 1998).

Several versions of memo and coding files were kept in order to have a track record of the evolution of data analysis and collection stages, development of codes, categories and theory.

At a point of identifying and confirming the core category, 52 open categories have emerged and a rich memo bank of 90 memos was also developed. Several codes emerged into categories with extensive properties, which defined boundaries. Table 11 contains a set of early emerging open categories and open codes or properties, arranged in alphabetical order.

Table 11. List of Open Categories

Open Categories	Open Codes
Added Value	Type, Measurability, Context, Quality
Aligning Power	-
Avoiding Surprises	-
Becoming CEO	-
Behaving Bigger	Adding value
Behaviours During Board Meeting	Challenging, Adding, Raising Hard Questions, Getting out of the Way
Bigger Picture	-
Board Chair	Chair Effectiveness (Strong, Weak)
Board Changes	Type of Catalyst
Board Effectiveness	Characteristics of Effective Board, Characteristics of Ineffective Board
Board Functions	Governance / Strategic
Board Meeting Quality	Good, Bad, Evolving, Structure
Board Meeting Preparing	Preparing well, Preparing badly
Board Meeting Value	Getting Value, Not Getting Value
Board Mindset	Aligned / Misaligned
Board Pack	Getting it Right , Structure, Quality of Information, Notice Period
Board Size	Small/Large
Board Style	-
Bringing Skills from Externals	-
CEO-Board Communication	Effective, Ongoing, Transparency, Familiarity, Contact, Tone
CEO Reaction	Accepting and Acting, Inaction
Changing	Subtly
Communication Approach	Importance, Constructive, Destructive, Coaching
Communication Style	Aggressive, Subservient, Passive-Aggressive
Composing Boards	Choice, Investor Seat, Filling Gaps, Blending Experiences and Skills, Balancing Execs and Non-Execs
Deep Understanding of the Business	-
Divergence in Interests	-
Early Venture	Characteristics of Early Ventures (Informal Style, Low Technical Risk, Uncertainty, Requiring Multiple Rounds of Funding, Potential to Scale Fast, Performance Below Target)

Open Categories	Open Codes
Educating and Mentoring CEO/Founder	-
Evolved CEO	Characteristics of Evolved CEO (Dealing Succinctly, More Experienced, Mindset, Having Clear Asks, Taking Ownership)
Every day Challenge for CEO	-
Founder Director	Characteristics of Founder Director (First time Everything, Mindset)
Future Focusing	-
Gaps Types	Systems and Processes Gaps, KPI Gaps, Governance Gaps, Skills and Experience Gaps
Getting Rid of Founder/CEO	-
Growth	Growth Characteristics (Rate of Growth, Growth Curve Gradient)
Growth Company	Characteristics of Growth Company (Taking Large Funding Round, Company Size)
Having Templates	-
Helping from Experience	-
Helping	-
Identifying Gaps	Post First Investment, At Next Stage
Issues Faced by Early Ventures	Similar, Commercial, Evolving
NED	Type of Experience, Soft Skills, Incentivisation
Optimising	Stage 1 Evaluating and Structuring, Stage 2 Behaving Bigger
Seeing Failure	-
Trust	-
Tapping into Board Experience	Using Board/ Not using the Board
Thinking about the Exit	-
Typology of Boards	Brain Trust, Silent Mentality, Administrative Burden, Wine and Cheese
Vicious Circle	-
VC Director	Characteristics of VC Director (Types of Experience, VC Portfolio Mindset, Focusing on the Winners, Taking a long-term View)
VC-Founder Relationship	Building Active Relationship (Effectiveness, Change in Relationship after Investment)

Source: Table Developed by the Author, 2020

Table 11 is a summary of initial set of 52 open categories as emerged following the open coding stage. Going forward, through the selective and theoretical coding stages, open categories have been further developed into selective codes, and the relationships between them emerge as theoretical codes (Glaser, 1978). The illustrative quotes from interviews demonstrating the development of codes and the connection between data and the codes and categories can be found *Appendix 5 From Data to Concepts*.

This list of early categories in Table 11 shows that, inevitably, at such early stage, some of these codes were quite descriptive in nature. For example, codes such as *Having Templates,* simply expressed what was happening in corresponding data incidents:

Having Templates:

> *"we have templates and things like that" VC4*
>
> *"but in terms of other bits of the business, so it's one of the things we've been working on ourselves in fact, is to put together a template of this is what we think a board pack should look like because you know, there is not much point in saying, we don't much like the look of that and then just leave it for them to figure out for themselves. So starting to put together some guidance around that" VC5*
>
> *"as a VC we tend to be fairly prescriptive about what we want to see in the board pack, you know, from management accounts, key updates on the month, product development roadmap, you known, anything going on from competitive landscape perspective. All those kind of things you know. So there is a slide deck we are provided with, which is a fairly standard format month on month which we get taken through" VC1*

However, several analytical codes also emerged at this stage. For example, codes such as Issues Faced by Early Ventures, named matters that showed up systematically in a more analytical way, as opposed to using participants own words:

Issues Faced by Early Ventures:

> *"Although the companies may be working in different sector and on a completely different product they tend to have similar issues in the first year of funding" VC7*
>
> *"we said that something was going to happen and then for things outside our control it didn't happen as quick as we thought" F5*
>
> *"they can have their hands broadly in even bigger set of changes" NED1*

At the same time, categories began capturing variations in data. For example, open category *Board Meeting Quality* included properties such as *Good, Bad* and *Evolving*. To illustrate this in participants own words:

Good Board Meeting Quality:

> *"all over sudden the quality of the board and the quality of the discussion is really good because we are in a position whereby we start to talk around the issues rather than waste time on vanity" VC4*
>
> *"a good way that the board functions is for the CEO to present a problem also present a solution and then open it up for discussion. And then the board members at the board meeting will provide input" VC7*

Bad Board Meeting Quality:

> *"sometimes it is a very long narrative of everything they did last month, which is well it is informative, it is not that instructive" VC3*
>
> *"it is informative, it is not that instructive because you spend all your time talking about what's already happened as opposed to what's going to happen" VC5*

Evolving Board Meeting Quality:

> *"most meetings I have, at least started life as management meetings in my view and the challenge is I think is to try and evolve them into board meetings" VC5*
>
> *"I think if we are talking about early stage companies, it's very much an evolutionary process" VC6*

Codes began capturing variation not only in structures, such as illustrated above, but also variations in behaviours. For example, open category *Tapping into Board Experience* conceptualised a behaviour of a Founder Director when they are seeking input from the board. Data showed variation in this behaviour, thus Founders were either *Using Board* or *Not Using the Board*. To illustrate this in participants own words:

Tapping into Board Experience:

Using Board:

> *"one of the key skills for any founder is how to use his or her board to the best possible effect, because sometimes founders don't really tell their directors what they want from them" VC8*
>
> *"when the CEO needs to tap into the experience of the board and making sure they optimise the company for success" VC3*

Not Using Board:

> *"I very much felt his roles hasn't really been exploited in the way it should have been. I felt that they should have been using him to tap into his networks" VC4*
>
> *"I don't think we got tremendous input from them at the board meeting, in that case, so we kind of had to figure it out for ourselves, to be honest. So you know I think may be what we should have done was challenge them a bit more to look for the value add, you know, respectfully, obviously" VC5*

As these examples show, through coding, the researcher began capturing variations, thus developing a foundation for the grounded theory to account for differences in director experiences.

Also, at this point of open coding, there seemed to have been an endless number of ways in which the 52 open categories within this set could be grouped and organised into further categories (Urquhart 2013). For instance, the most obvious combination was to conceptualise types of board directors by properties, since *Founders, VC Directors and NEDs* had a set of similar properties, including *Level of Experience* and *Skills*. However, at the same time, each director also had properties it did not share with other director types, such as for example, *Mindset*, and *Incentivisation*.

Another example of candidate codes for an obvious grouping is categories of *Board Meeting* and *Board Pack*. These could have been easily combined into *Board Norms*. Yet, such amalgamation and indeed, such naming could later prove to be too obstructive to untangle relationships indicated by categories *Vicious Circle*, *Board Value* and *Board Effectiveness*. Especially since there was not yet clear distinction of which codes would be relevant to which of two stages of the process of *Optimising*.

Glaser (1998) notes that the decision to group codes at an early open stage of analysis could be premature and prove unhelpful at the later stages, especially when identifying and explaining relationships between categories in relation to individual director behaviour. That is why 52 open categories have not been grouped further during open coding stage. Fundamentally, the way in which these initial and subsequent codes get grouped and organised

clearly depended on the purpose of these categories in relation to the core category (Urquhart, 2013).

The emergence of the main concern and core category has therefore completed the open coding stage of data collection and analysis, signalling the readiness for the analysis to move to selectively coding for categories only relating to core and collecting and theoretically sampling data based on analytic grounds in order to saturate categories.

4.3 Selective Coding Stage

Having identified *Growth* as the main concern of participants and *Optimising* as the process for its resolution, the analysis moved into the next stage – selective coding and theoretical sampling.

In classic GT, selective coding involves coding of only those categories that relate to the core. The aim of this type of coding is to specify, connect and saturate categories that link up to the core and to make decisions about such categories that do not have a relationship with it (Glaser, 1992). Arriving at the set of selective codes, also known as substantive codes, since they conceptually define the substantive area under investigation, this stage drives sharpening and in-depth development of concepts and, consequently, plays a very important role in theory emergence (Urquhart, 2013). Summarised in Figure 7 as follows:

Figure 7. Selective Coding Stage

SELECTIVE CODING STAGE		
Purpose:	**Analysis: How and What:**	**Outcome:**
• Generate selective codes, i.e. codes only relating to the core • Specify selective codes by properties • Saturate selective codes and properties • Abstract codes	• Initial generation of selective codes by grouping open codes and modifying code labels to better fit data • Theoretical sampling for unsaturated codes and their properties • Abstracting codes, arriving at a final set of 6 selective codes • Discarding unsaturated codes • Revising research question	• Initial set of 15 selective codes • Analytic basis for theoretical sampling • Additional set of 3 selective codes (making it 18 in total) • Set of 6 abstracted selective codes

Source: Figure developed by the Author, 2020

Thus, the purpose of the selective coding stage of analysis was to generate selective codes, specify and saturate them thus arriving at a set of abstracted selective codes. Broadly speaking this stage included the following activities:

- coding selectively only for those categories relating to the core and arriving at initial set of selective codes;
- theoretical sampling;
- arriving at the final set of 6 selective codes;
- discarding unused codes;
- revisiting research question.

These activities are discussed in more detail in the following sub-sections.

4.3.1 Initial Selective Codes

During the previous open coding stage, there were several options for how to further group categories together. Nevertheless, the researcher resisted advancing with major integration efforts in case resulting categories might be more obstructive than helpful during this stage (Glaser, 1998). Instead, the ideas about different ways of grouping open codes were captured in the memo bank. At selective coding stage, it was time to revisit those ideas and to decide how open codes could be usefully grouped into selective codes in a way that was relevant to core category in "sufficiently significant ways" (Glaser, 1992, p.75). In order to make such decisions, it was also necessary to 'scale up' open codes into larger categories and to develop those in terms of properties until saturation, i.e. the recurrence of the interactional pattern (Glaser, 1992, Urquhart, 2013).

To code selectively, the efforts were focused on coding for anything relating to *Optimising for Growth* of company, board and Founder. During this process, several sources of data were used. First, the transcripts of the 5 interviews conducted during the open coding stage were reviewed to search for data incidents around the core category. Then, attention turned to the data collected during the Pilot study, comprising of 11 interviews with a variety of directors including VC Directors, an Angel Investor Director, Founders, Replacement CEO and independent NEDs. These were coded selectively for the set of open codes, using constant comparison method and noting possible relationships through memos.

This led to a relatively quick fill out of categories relating to codes of *Evaluating Gaps* and *Composing Boards* to the point where through constant comparison it was evident that new data incidents just gave another description of existing code but not yielded any new dimension or properties, indicating saturation (Glaser, 1998). Similarly, categories characterising the three types of directors and the different states of company, board and Founder also got quickly shaped.

Table 12 provides a summary of the initial set of 15 selective codes at that stage.

Table 12. Initial Set of Selective Codes

Selective Codes	Open Codes
Board Purpose	Governance Function Strategic Function
Board Meeting Quality	Characteristics of Effective/Ineffective Board Meeting Quality, comprising of different dimensions of Board Pack (Quality of Information – high, poor, variation, Notice Period – timely, late) Board Meeting (Reporting – high quality, low quality, inaccurate, Strategic Discussion – high quality, low quality) Preparing Vicious Circle
Board Mindset	Board Mindset (Aligned, Misaligned)
Challenges of Early Ventures	Type of Challenge – Performance, Commercialising, People Issues, Funding
Challenges of Founders	Self-doubt Tunnel Vision
Challenges Characteristics	Similar, Unknown, Evolving in Complexity
Composing Boards	Investor Right to Board Seat Filling Gaps Balancing
Evaluating Gaps	Post Early Investment Pre-Next Investment
Founder Director	Experience of First Time Everything Coachability of Mindset (Coachable, Not Coachable) Receptiveness of Advice (Open to Advice, Resisting Advice) Susceptibility to Value Board (Positive, Negative)
Gaps Structural	Systems and Processes Gaps, KPIs Gaps, Skills and Experience Gaps
Gaps Cognitive	Understanding Governance Gaps
Growing Company Characteristics	Taking Large Investment Round Company Size (Turnover, Number of Employees)
Growth	Growth Curve Gradient (Rate, Speed) Volatility
NED	Type of Experience (Large Corporate Experience, Industry Expert, Early Stage Experience) Skills (Soft skills)
VC Director	Type of Experience (Large number of boards, Early Stage Experience, Full Cycle Experience) VC Portfolio Mindset (Inherent Conflict, Focusing on the Winners, Cutting out Failures, Taking Long-term View)

Source: Table Developed by the Author, 2020

4.3.2 Theoretical Sampling

The remaining categories did not fill out as easily in this process of selectively coding from data collected during the Pilot study. Therefore, theoretical sampling was used to obtain data from the new interviews. Theoretical sampling is an approach to gathering data purposefully, by considering what to sample for and where to sample from based on analytical grounds (Urquhart, 2013). According to Glaser (1998, p.157), theoretical sampling

> *"focuses questions more and more on the direct emergence of the theory (thus showing again, how interview schedules constrain theoretical sampling). Questions constantly change with the requirements of the emergent theory and theoretical sampling".*

This helps progress the development of theory about core category by a process of systematically increasing the density of selective codes related to the core. Consequently, theoretical sampling is deemed a crucial "core analytic tenet" of the grounded theory method as it advances the theory about core category (Suddaby, 2016, p.640).

Unsaturated selective codes provide and excellent basis for sampling theoretically (Urquhart, 2013). Therefore, the requirements for theoretical sampling were considered based on the unsaturated categories.

Broadly there were three clusters of categories that required further saturation:

1) Founder Becoming CEO, Characteristics Evolved CEO, Getting Rid of Founder/CEO

2) Communication Approach and Style, Contact, Trust

3) Adding Value, Director Behaviours, CEO Reaction, Helping

Considerations were made thinking through where the next data sample should come from. Thus, regarding the first cluster, the next data sample should provide details about CEO characteristics at the point of the next round of funding. Sampling for this information could also help saturate the process by which CEO is evolving, i.e. Becoming CEO and what happens if founder hasn't 'evolved' and replaced. Additionally, this data sample should enable the researcher to get better defined properties of the boundary of the core category.

Such data should be sampled from sources/interviewees with a broad range of experience on boards at later stages, post next round of funding, i.e. where the founder remained to lead the company and in situations where they were replaced. Experienced VC Director would be a target interviewee to gather such data from. Also, it would be good to interview VCs specialising in later stage investments as opposed to early stage VCs, the focus so far. Also, since Angel Investors are often credited with providing help and mentoring founders throughout early stages, an experienced Angel Investor Director could also provide such data.

The second cluster, *Communication* cluster categories are very complex with several properties already identified. There seems to be a complex relationship that needs clarifying between Communication, Contact, Trust and Director Relationship, shaped by properties such as Effectiveness and Changing. This data could come from any type of director.

Finally, categories and properties of the third cluster, *Added Value* need further sharpening, they are somewhat shaped by properties such as Type of Added Value, Measurability, Method, Advice Consequences and CEO Reaction. However, there is a need to better understand the context, director behaviours, causes and effects of Added Value so it could be better located in the stages of the process of optimising. This data could come from any type of director.

Table 13 outlines those unsaturated categories and discusses the requirements for theoretical sampling.

Table 13. Requirements for Theoretical Sampling

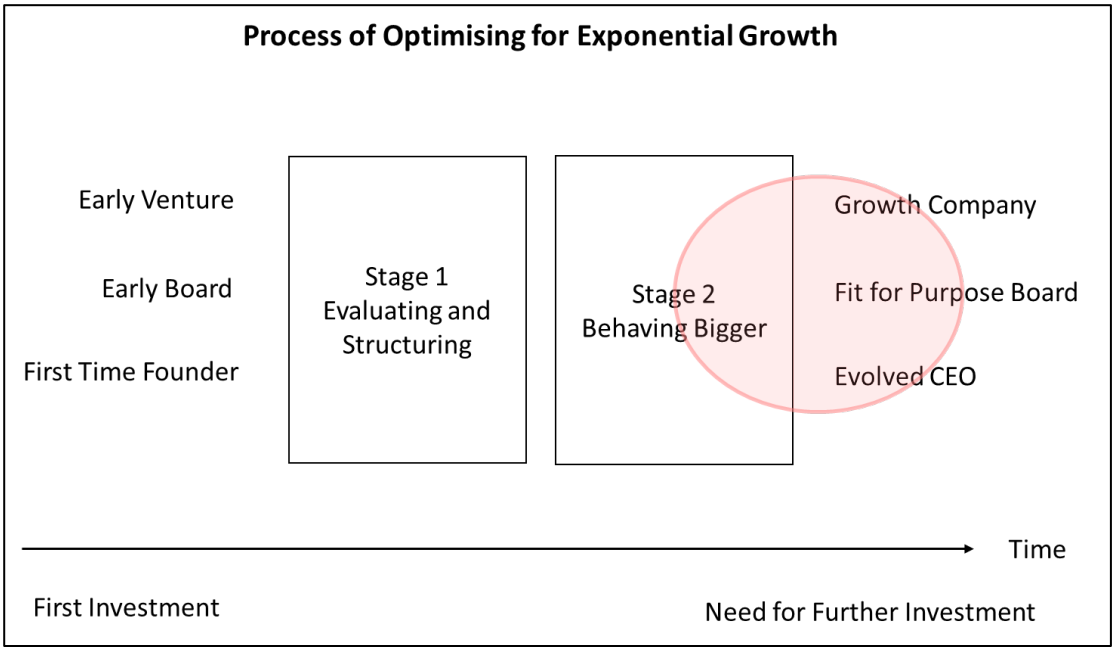
Clusters of Unsaturated Categories	**Requirements for Theoretical Sampling**
Becoming CEO Evolved CEO Getting Rid of Founder/CEO	• Details of CEO characteristics at the point of the next round of funding • Saturate the process by which CEO is evolving, i.e. Becoming CEO and what happens if founder hasn't 'evolved' and replaced. • Data can be sampled from sources/interviewees with a broad range of experience on boards at later stages, post next round
Communication Approach and Style Contact Trust Director Relationships	• Saturate and clarify complex relationships between Communication, Contact, Trust and Director Relationship, shaped by properties such as Effectiveness and Changing. • This data could come from any type of director.
Adding Value Director Behaviours CEO Reaction	• To saturate the context, causes and effects of Added Value so it could be better located in the stages of the process of optimising. Saturate dimensions of a range of director behaviour patterns • Provide further data on director behaviours • This data could come from any type of director.

Source: Table Developed by the Author, 2020

As Table 13 illustrates, four clusters of unsaturated categories were identified. This provided a basis for considering properties and dimensions that needed to be sampled for theoretically. Guide to Interviews via Theoretical Sampling is available *in Appendix 4 Interview Guides*.

Figure 8 illustrates unsaturated areas in relations to the core category:

Figure 8. Unsaturated Areas in Relation to Core Category



Source: Figure Developed by the Author, 2020

In addition to identifying requirements for the data to sample for, the most relevant sources of such data were also identified, effectively creating criteria for the recruitment of next interview participants. As it was highlighted in the previous chapter, throughout the stage of selective coding and theoretical sampling further new participants were interviewed.

In the process of the theoretical sampling, the interviews become “means of eliciting information” on the required area (Suddaby, 2006, p.635). As outlined in the previous chapter, the initial interview structure was evolved to

add focus on asking questions around the identified areas and therefore responding to the needs of the emerging selective codes.

Having persevered with further interviewing and data analysis, the majority of the remaining selective codes have been saturated, resulting in additional 3 selective codes, as shown in Table 14.

Table 14. Additional Selective Codes

Selective Codes	Open Codes
Adding Value	Quality Types of Value Add (Opening Doors, Providing Strategic Input, Dealing with Issues, Challenging, Sounding Board, Focussing on the Bigger Picture, Mentoring Founder) Delivery of Value Add, Level of Engagement and Instructiveness Obtaining the Value Add, Delivery of Value Add
Becoming CEO Attributes	Taking Ownership Being Explicit with Asks
Communicating	During Board Meeting, Ongoing basis Deep Understanding of the Business Trust

Source: Table Developed by the Author, 2020

4.3.3 Final Set of Selective Codes

Previous sections showed how a set of selective codes was saturated via selective coding and theoretical sampling. The resulting set of 18 selective codes as shown in tables *Table 12. Initial Set of Selective Codes* and *Table 14. Additional Selective Codes,* defined the substantive area under investigation. Still, it arguably did so with excessive level of detail, in no fewer than 18 selective categories. However, “to be workable, and elegant, a theory needs to have only a few constructs” (Urquhart, 2013, p.89). It is necessary to be able to explain what is happening in the substantive area in fewer categories as possible (Glaser, 2011). This requires an exercise in conceptualising and abstracting of the set of codes.

Several analytic techniques can be used to aid the abstraction (Urquhart, 2013). In this study, in order to achieve abstraction, the researcher considered whether any of the selective codes could be grouped together, deliberated on whether any of the codes were in fact a property of another code and weighed up options for a better name for any of the categories (Glaser 1998). This was also where the researcher decided on the codes relating to each Stage of the process of Optimising. Throughout the process, the ideas in the memo bank about how categories might be conceptualised were reviewed and expanded on.

Table 15 shows the result of this process, demonstrating how the 18 selective codes were further structures and abstracted into just 6.

Table 15. Evolution and Abstraction of Selective Codes

Initial Set of Selective Codes	Final Set of Selective Categories
Growth Curve Gradient	Growth
Growing Company Indicators	
Becoming CEO Attributes	
Evaluating Gaps	Stage 1 Evaluating and Structuring Stage
Composing Boards	
Founder Director	
VC Director	
NED	
Adding Value	Stage 2 Behaving Bigger Stage
Communicating	
Board Purpose	Degree of Fit for Purpose Board
Board Mindset Alignment	
Board Meeting Quality	
Challenges of Early Ventures	Venture Challenges
Challenges of Founders	
Challenges Characteristics	
Structural	Gaps
Cognitive	

Source: Table Developed by the Author, 2020

The remainder of the section provides details for each of the final set of selective codes, linking illustrative quotes to open codes to selective codes. It also interprets them thus laying the foundation for the next section of this chapter on theoretical sampling which defines the relationships between these categories into a grounded theory. The summary of the final set of selective codes and illustrative quotes can also be found in *Appendix 5 From Data to Concepts.*

4.3.3.1 Growth – Main Concern

Growth has emerged as the main concern of participants. This was illustrated earlier in the chapter in *Section 4.3 Open Coding*. In participants own words:

> *"Ultimately needing to secure growth in the portfolio company is the most important thing for a VC" VC5*
>
> *"[it] comes through in everything the director is doing to help the company or persuade them to go down a particular product line, as that is a bigger market, so then the company would grow more quickly VC7*
>
> *"we are after is not necessarily profit but big growth and therefore long-term value" VC3*

Participants specified *Growth* using three properties:

- Growth Curve Gradient;
- Company Growth Indicators; and
- Becoming CEO Attributes.

The first property illustrated that *Growth* had to be 'huge', 'big', 'steep', 'going through the roof', as opposed to not 'hitting a certain range', not 'moving forward' or 'almost going backwards'. Thus, it was defined by *Growth Curve Gradient*, consisting of *Rate of Growth, Speed and Volatility*. Properties *Rate of Growth* and *Speed* both captured variation in data *High/Low.* To illustrate:

Rate of Growth High/Low:

> *"when we started to see it grow it was very satisfying and actually from memory it finally achieved its growth curve" (VC1)*
>
> *"it was still profitable, you know, but ultimately its growth curve was less steep than it had been" (VC4)*

Speed High/Low

> *"do this, you know, do whatever you can to get as big as you can as fast as you can" (F5)*

> *"it could always go faster. Investors are never happy" (F5)*

Volatility indicated that *Growth* was not stable:

> *"he has built that business from 0 to £20m, to 0 and now we are down to £3m, so we've been up and down a yo-yo with that business" (NED4)*

Overall, *Growth Curve Gradient* shows that whilst directors were concerned to achieve a very specific type of growth, i.e. at high rate and speed, at the same time, the reality of venture's early stage meant that *Growth* was also unstable and volatile. Thus, it defined *Growth* using non-traditional and subjective measures of company performance (Garg, 2013). Due to high levels of uncertainty, it was deemed by directors as a more relevant measure of performance during the early stages of startup than traditional measure such as turnover or profit (Fried, Bruton and Hisrich, 1998).

The second property of *Growth* was identified as *Company Growth Indicators*. Whilst participants acknowledged they could identify growth through traditional indicators of growth, such as turnover, for example:

> *"we could see it through the numbers, frankly" (VC1)*
>
> *"it grew from virtually no revenue to revenues of roughly £10m" (VC1)*

Company Growth Indicators were, in fact, specified by the ability of the company to be *Taking a Large Investment Round* and increase in *Company Size*. To illustrate:

Taking a Large Investment Round:

> *"we are preparing for series A" (F4)*
>
> *"we took a round of investment there which was essentially seed which ballooned into a Series A" (F6)*

Company Size:

> *"when you go into the office and it is suddenly like a grown-up company. There are all these people here, and you don't know what they do" (VC3)*
>
> *"we are a team of 10 now" (F1)*
>
> *"The growth is was myself January last year, then [NAME] joined, he's arrived, he [JOB ROLE], and then really quickly, we hired our first full time developer" (F3)*

The third property of *Growth* has emerged relating to the venture founder: *Becoming CEO Attributes*, i.e. behavioural attributes that indicated a transformation of first-time founder into a CEO. The profile of Founder at the start of the investment has been coded as *Founder Director Profile "First Time Everything"* and it can be found as a property of Stage 1 Evaluating and Structuring Stage, described later in this section. Together, these codes represent conceptualised states of the beginning and end of the founder journey through the process of *Optimising for Growth*.

Thus, at the beginning of the process, *Founder Director Profile* is characterised by lack of experience, and variations in *Mindset* (positive or negative *Coachability, Receptiveness to Advice, and Susceptibility to Value Board*). Whereas, at the end, *Becoming CEO Attributes* show that founders are *Taking Ownership* and become very skilled at using their boards coded as *Being Explicit with Asks*. To illustrate:

Taking Ownership:

> *"it is important that the CEO recognises that he needs to lead, or she" (VC7)*
>
> *"everybody has different inputs and we, in a formal but, in a sense, informal way, we now want to discuss what's right and ultimately for the CEO to execute on it" (NED1)*

Being Explicit with Asks:

> *"they will ask for very specific help because they can manage most things themselves because they've done it before" (VC7)*
>
> *"he is very good at asking for advice" (NED3)*
>
> *"one of the key skills for any founder is how to use his or her board to the best possible effect, because sometimes founders don't really tell their directors what they want from them. So I think that's something I noticed" (VC8)*
>
> *"absolutely clear statements what they would like from their board" (VC8)*

Table 16 summarises the main concern category of *Growth* and its properties.

Table 16. Main Concern Category - Growth

CATEGORY	**GROWTH**
Selective Code, Property	**Open Codes, Properties (Sub-Properties)**
Growth Curve Gradient	Rate of Growth (High/Low)
	Speed (High Low)
	Volatility
Growing Company Indicators	Taking Large Investment Round
	Increasing Company Size
Becoming CEO Attributes	Taking Ownership
	Being Explicit with Asks

Source: Table Developed by the Author, 2020

4.3.3.2 Process of Optimising – Stage 1 – Evaluating and Structuring

Data revealed the process of *Optimising* For Growth has two stages and it starts with *Stage 1. Evaluating and Structuring Stage.* To illustrate:

> *"My focus from day one is obviously get in there and work out whether it is going to be fit for purpose" (VC4)*
>
> *"they evaluated a gap in the experience in the board they went out to find somebody" (VC5)*

During this stage directors are engaged in two activities: *Evaluating Gaps* based on the profiles of Founder and VC Director, and *Composing Boards* to fill those gaps.

Evaluating Gaps as activity, took place *Post Investment*, i.e. at the beginning at the process of *Optimising for Growth*. Data shows that several distinct types of gaps are evaluated, which were categorised into *Gaps*, and these have been conceptualised as a separate category, which can be found after Stage 1, *Table 18. Gaps* below.

Particular attention was paid to the Founder Director because venture founders are typically first-time entrepreneurs, young individuals who never run a company before. In this study this characteristic of Founder was conceptualised as *Experience First Time Everything* and *Mindset*. This can be illustrated by the following participant quotes:

Experience of First Time Everything:

> *"I am a first-time founder" (F1)*
>
> *"they are often first-time entrepreneurs" (VC4)*
>
> *"for many companies, particularly you know, early stage companies, it may well be the first business they have started, so*

you know, they don't have the experience already to do that" (VC5)

"in most growth companies backed by VCs you are starting with a usually unexperienced team, very capable but inexperienced. In all, I often say the Chief Exec has L plates, like a learner driver" (VC6)

Mindset refers to individual's cognitive processes which enable them to better deal with complex tasks and environments (Gollwitzer and Bayer, 1999). It represents Founder's way of thinking and influences their interpretations of what is happening around them (Ireland, Hitt and Sirmon 2003, p.967). Most importantly, it shapes the way they respond to the challenges (Lant, Milliken and Batra, 1992, Ocasio, 1997, Reger and Palmer, 1996). Therefore, *Mindset* is linked to Founder's behaviours and actions, since cognitive processes are evoked when individuals make decisions, assessments or judgements (Mitchell et al., 2002). In this study, Mindset emerged to be defined by the following three properties:

- *Coachability* (Positive/Negative), indicating an attitude open to advice, input and discussion;
- *Receptiveness to Advice* (Positive/Negative), revealing if CEO would be embracing rather than dismissing the input;
- *Susceptibility to Value Board* (Positive/Negative), a sign of CEO's mindset understanding board as a valuable asset as opposed to a control mechanism.

Illustrative quotes for each of those properties can be found in *Appendix 5 From Data to Concepts*. It is important to note how these three properties capture a potentially significant variation in *Founder Mindset*. On one extreme, there is a Founder who has a *Coachable Mindset,* someone who is receptive to advice and values his/her board. On the other extreme, a Founder could also be *not Coachable*, dismissive or not receptive to any

advice and does not consider his/her board as valuable asset. As it could be seen at the next stage of analysis *Founder Mindset* plays an important role in the ability of the board to add value and getting it to *Growth*.

VC's ow *Director Profile* is also considered during the *Evaluating Gaps* activity. VCs have been characterised by having a *Right to Board Seat, Experience of Large Number of Boards and Full Cycle,* as well as having an *Inherent Conflict of Interest* and *Focusing on the Winners*. Illustrative quotes for each of those properties can be found in *Appendix 5 From Data to Concepts*.

Evaluating Gaps is followed by *Composing Boards* activities. These have been conceptualised as *Bringing NEDs, Filling Gaps* and *Balancing*. To illustrate:

Bringing NEDs

> *"we normally would try and use our board seat to bring in an external third-party individual" (VC1)*
>
> *"looking outside just investors for non-execs is a very valuable thing to do, because obviously any director including a VC director has a responsibility for the company but they are all obviously are acting on behalf of their own firm whereas a truly independent non-exec is a very valuable in that they don't have that loyalties skewed. They are responsible to the board and to the company and the shareholders and aren't influenced by valuations in the same way as it is for the investor. So, I think making sure there are independent non-execs on the board is very important" (VC5)*

Filling Gaps:

> *"success to me is when all of the skills required or represented on the board either in executive or non-executive capacity" (VC1)*
>
> *"he is a classic where he understands his own limitations and he's built a team around him who are all better in their individual disciplines than he is" (NED3)*

"And then a good board will then have an industry expert who isn't necessarily familiar with the problems that early stage companies face generically. But, is able to help with much more with the product. Help the team in a more specific way around the product and the market that they might be going into" (VC7)

Balancing:

"We had a right blend of skills" (VC4)

"I think that's highly effective … getting a blend of those different kind of experience" (VC5)

"I think it's very crucial to ensure that if you bring people in, they are not only have a good range of complementary skills and networks, but, and this is a difficult balance to get, one who will challenge, both the founder and potentially the board itself so they will have strong views on what might be affecting the company. But also, you do want to get people who are not going to distract the CEO because what you don't want is individuals who have personal agendas who may spend too much time around the CEO and give them a bad advice" (VC8)

Furthermore, data indicated that *Evaluating Gaps* activity also took place *At Next Investment*, i.e. at the end of the process of *Optimising for Growth*. Both boards and Founders were evaluated replaced with the new investment coming in. To illustrate:

Restructuring Boards

"when we raised £1.5m they wanted a proper paid Chair who had experience in our sector" (F5)

"when you raise more money from different types, growth funds, from larger VC funds, you will then get Investor Directors onto the board who have experience of later stage funds. So that tends to work quite well, they tend to have different experience to the early stage investors. And its key that you get that step, that step is quite normal as your percentage holding in the company falls you would expect your board seat to eventually go and it gets replaced by investors who are more experienced at stage the company is at now" (VC7)

Getting Rid of Founder/CEO:

"certain people, for example, can probably run a business from 0 to £1m turnover and then they get beyond their skills set" (VC4)

"it was time professionalise the executive team away from the founders" (VC1)

This gave an indication that the process of *Optimising for Growth* is re-starting at the point of raising the next investment, however since venture was no longer early stage, this was outside the scope of the study.

To summarise, Table 17 shows details of *Stage 1 Evaluating and Structuring Stage* (illustrative quotes for each code can be found in *Appendix 5 From Data to Concepts*).

Table 17. Stage 1. Evaluating and Structuring Stage

CATEGORY	**EVALUATING AND STRUCTURING STAGE**	
Selective Code, Property	**Open Codes, Properties**	**Sub-Properties**
Evaluating Gaps	Post Investment	None
	At Next Investment	Restructuring Boards
		Getting Rid of Founder/CEO
Composing Boards	Bringing NEDs	NED Profile
	Filling Gaps	Having Templates
		NEDs Role in Founder's Mindset
	Balancing	None
Founder Director Profile "First Time Everything"	Experience of First Time Everything	None
	Mindset	Coachability (positive/negative)
		Receptiveness to Advice (positive/negative)
		Susceptibility to Value Board (positive/negative)
VC Director Profile	Right to Board Seat	None
	Experience	Large number of boards
		Full Cycle Experience
	Portfolio Mindset	Inherent Conflict Fund vs Venture
		Focusing on the Winners

Source: Table Developed by the Author, 2020

4.3.3.3 Gaps

As it was mentioned during the presentation of *Stage 1 Evaluating and Structuring*, the evaluation activities are carried out to identify a number of shortages in the company, board and team. These shortages have been conceptualised as *Gaps*. Two types of gaps have emerged from the data: *Structural* gaps and *Cognitive* gaps.

First type of gaps, *Structural* gaps, have emerged to consist of *Systems and Processes, KPIs,* and *Skills and Experiences* gaps. Since most venture boards are formed as a result of the first investment (Garg, 2013), it was important to check if venture's systems and processes were fit with the ambitions to grow exponentially and if there was a right degree of formality. To illustrate:

Systems and Processes (Structural Gaps):

> *"in terms of its systems, processes and controls, it was still very much a small company" (VC4)*
>
> *"from the point of view of governance, formality, we were not very formal" (F4)*

Skills and Experiences (Structural Gaps):

> *"Each executive team has different strengths and weaknesses and I think it is important to fill out the board in a way that is complimentary to the executives around the table, making sure you are filling any skill gaps or if someone is young and inexperienced, make sure there is some..., one there who can be a chair, mentor type of person, if it someone that doesn't have industry experience, make sure there is someone on there with good networks and into the industry that's relevant. It's working out what the board needs to look like in totality to complement the executives. The executives, generally, they are what they are, so it is a matter of building the board to fit around" (VC1)*
>
> *"Then we are going to really get down by doing the jobs about where the gaps are, so we know we need a non-exec with marketing experience, so we started looking for that type of person, and then we are just starting to look at wider mix of people" (F5)*

KPIs (Structural Gaps):

> *"what are the right metrics that are going to give you advance notification of, you know, are we looking like we are going to be on track or not" (VC5)*
>
> *"He examined the KPIs and he decided whether they were the right KPIs" (VC4)*
>
> *"The ones that are self-aware enough to go and do some research themselves about what are the right metrics to be tracking" (VC5)*

Second type of gaps, *Cognitive* gaps, related to whether the Founders had a real *Understanding of Governance*, e.g. the functions of the board and the purpose of governance, including a legal entity with fiduciary duties and responsibilities, as well as recognising the board as bringing benefit and value. To illustrate:

Understanding Governance (Cognitive Gaps):

> *"The number one priority is to make sure the CEO understands what's the function of the board is and a lot of them don't" (VC3)*
>
> *"In the very early stages a lot of the CEOs don't really value the board meetings and the input of the board" (VC3)*
>
> *"They don't necessarily understand what's the benefit is" (VC4)*
>
> *"I was very, very nervous [at board meetings] on the first few because I didn't understand the process" (F2)*

Table 18 summarises the category *Gaps* and its properties.

Table 18. Gaps

CATEGORY	**GAPS**
Selective Code, Property	**Open Codes, Properties**
Structural	Systems and Processes Gaps
	KPIs Gaps
	Skills and Experience Gaps
Cognitive	Understanding Governance

Source: Table Developed by the Author, 2020

4.3.3.4 Fit for Purpose Board

This category represents the degree of board fit for its purpose. It emerged from data that this fit is determined using three properties:

- *Board Purpose,*
- *Board Mindset Alignment* and
- *Board Meeting Quality.*

First, two board purposes have been discerned from the data: the traditional purpose of *Monitoring* and the purpose of providing *Strategic Help*. To illustrate:

Monitoring

> *"the governance part of it, is really directors and shareholders checking up that the company has been doing a good job and the CEO has been doing a good job, which is the governance part of it" (VC3)*
>
> *"But those investor positions are really about monitoring the performance of the company itself" (VC8)*

Strategic Help

> *"making sure it's being more strategic, making sure the companies are thinking occasionally strategically rather than just tactically all the time. (VC3)*
>
> *So the business was always focused on the strategy always focused on the direction (VC4)*

Second, in order to perform this role effectively, the *board's* collective *Mindset* must also have an *Alignment*:

Board Mindset (Aligned/Misaligned)

> *"a common understanding on board that they are there to help, rather than to check up what's happening. And if you manage to achieve that you've probably got a very effective board" (VC3)*
>
> *"I think what's most detrimental is where the members of the board are not properly aligned" (VC5)*

Third, the board's *Fit* was also defined by the *Board Meeting Quality*, consisting of variations in *Getting Board Pack Right, Level of Preparation and Strategic Discussion Quality*. To illustrate:

Getting Board Pack Right (Quality High/Low)

> *"Obviously providing information well in advance and clear terms" (VC8)*
>
> *"poor notice period in order to read it, a lot of detail does not get read it at all" (VC3)*

Level of Preparation (Prepared/Unprepared)

> *"The best ones are the ones that do their home work" (VC6)*
>
> *"I try to avoid the boards where it is what I call a 'wine and cheese' non-execs who just turn up once a month, they read the papers if you are lucky, the day of the meeting and if you are unlucky, actually during the board meeting itself" (VC6)*

Strategic Discussion Quality (High/Low)

> *"all over sudden the quality of the board and the quality of the discussion is really good" (VC4)*
>
> *"There was no quality discussion, again linking directly back to how poor the information was and how untimely it came out, they would just talk from an operational perspective, so it was very much a management meeting only" (VC4)*

Table 19 summarises the category *Fit for Purpose* and its properties (illustrative quotes for each code and dimension can be found in *Appendix 5 From Data to Concepts*).

Table 19. Fit for Purpose Board

CATEGORY	FIT FOR PURPOSE BOARD	
Selective Code, Property	**Open Codes, Properties**	**Sub-Properties**
Board Purpose	Monitoring	None
	Strategic Help	None
Board Mindset Alignment	-	Aligned- Misaligned
Board Meeting Quality	Getting Board Pack Right	Quality of Information High-Low
		Notice Period Timely-Late
	Level of Preparation	Prepared-Unprepared
	Strategic Discussion Quality	High-Low

Source: Table Developed by the Author, 2020

As it was illustrated, *Fit for Purpose Board* category has captured potentially significant variations in the board as presented in the collected data. Based on those variations, further interpretations could be made about a profile of an early venture board defined by these emerged properties. Thus, data has shown that board's *Purpose* during early stages should be to provide *Strategic Help*, as opposed to *Monitor*.

Consequently, these variations can be interpreted as characteristics of effective and ineffective early boards, as shown in Table 20.

Table 20. Fit for Purpose Board: Effective vs Ineffective Early Boards

Property	Effective	Ineffective
Board Purpose	Strategic Help	Monitoring
Board Mindset Alignment	Aligned	Misaligned
Board Meeting Quality	Quality of Information High	Quality of Information Low
	Notice Period Timely	Notice Period Late
	Level of Preparation Prepared	Level of Preparation Unprepared
	Strategic Discussion Quality High	Strategic Discussion Quality Low

Source: Table Developed by the Author, 2020

When analysing the properties of the effective and ineffective Board, there is a significant room for variation, resulting from a combination of different dimensions of *Board Purpose, Board Mindset, Board Pack Quality and Notice Period, Board Meeting Reporting and Strategic Discussion and Director Preparing*. Effectively, these variations, or a degree of *Fit for Purpose Board*, and in this case, for the purpose of *Strategic Help* as opposed to *Monitoring*, are linked to the effectiveness of the board in adding value during the Stage 2 of the process of *Optimising for Growth*.

4.3.3.5 Process of Optimising – Stage 2 – Behaving Bigger Stage

In the process of *Optimising for Growth*, *Stage 1 Evaluating and Structuring Stage* is followed by *Stage 2 Behaving Bigger*. The concept of behaving bigger can be illustrated in participants own words:

> *"The main thing, as I say, behaving as a bigger company before you are one" (VC4)*
>
> *"you need to start pretty early and making sure you've got all of the stuff in good order because when it comes time when you might be looking for investment or potentially an exit, it just makes the whole thing a lot more smoothly" (VC5)*
>
> *"it means a lot of things because growth is our bread and butter. We effectively make money out of growing stuff for people, so at any time we are growing, like we are growing for the clients we are growing for ourselves, we are growing everything" (F4)*

The challenge of 'growing everything' is that early ventures are faced with rather distinct issues during this crucial growth stage (Garg, 2013). Chapter 2 provided details of some of those issues and data from this study revealed several fresh insights. These have been conceptualised as a separate category *Venture Challenges*, and is discussed after Stage 2.

In the context of facing the distinct *Venture Challenges* as discussed above, the *Behaving Bigger Stage* can be characterised by *Adding Value* activities underpinned by *Communicating.*

First, *Adding Value* category incorporated *Type of Value Add* and its *Quality*. Value add was found to have a *High* or *Low* quality. Additionally, seven types of value add activities have been distinguished, as follows: *Opening Doors, Providing Strategic Input, Dealing with Issues, Challenging, Sounding Board, Focussing on the Bigger Picture, Mentoring Founder.*

Furthermore, variations in the *Delivery of Vale Add* and its *Obtaining* were also captured. Thus, there were important distinctions on whether value add was delivered instructively, by *Telling What to Do*, or in a more friendly way, i.e. *Not Telling What to do*. To illustrate:

Telling What to Do

> *you've got to let them get on with it. Because if you interfere you are just interfering. You might as well run it yourself, and that's not what I do anymore (NED3)*

Not Telling What to do

> *that was under the guidance of the board, telling us that we should very much focus now on one person, and we kind of stopped servicing some of the other customers (F1)*

Similarly, there was a distinction on whether the value add was Sought or Not Sought. The picture was emerging that more effective way of adding high quality value included when it was asked for and, at the same time, proactively offered.

As it was mentioned above, *Adding Value* activities were underpinned by *Communicating.* Here, coding reflected whether communication between the board and the founders were taking place only *During the Board Meeting* or on *Ongoing Basis* and whether there was *Trust*.

Data also revealed a relationship between the quality and depth of *Adding Value* and the characteristics of the *Communication*. Very little value was added when communication was limited to the formal governance mechanisms of board reporting and board meetings. In contrast, there was a deeper understanding of the business developed and as a result a more

targeted value added, when both board directors and the CEO were making time for more regular communications.

Table 21 summarises the category *Stage 2 Behaving Bigger* and its properties (illustrative quotes for each code and dimension can be found in *Appendix 5 From Data to Concepts*).

Table 21. Stage 2. Behaving Bigger Stage

CATEGORY	**STAGE 2 BEHAVING BIGGER STAGE**	
Selective Code	**Open Codes**	**Sub-Properties**
Adding Value	Quality of Value Add	High/Low
	Type of Value Add	Opening Doors
		Providing Strategic Input
		Dealing with Issues
		Challenging
		Sounding Board
		Focussing on the Bigger Picture
		Mentoring Founder
	Delivery of Value Add	Not telling what to do / Telling what to do
	Obtaining the Value Add	Sought/ Not Sought
Communicating	During the Board Meeting	None
	Ongoing Basis	Touch Basing
		Avoiding Surprises
		Deep Understanding of the Business
	Trust	None

Source: Table Developed by the Author, 2020

4.3.3.6 Venture Challenges

During *Stage 2 Behaving Bigger*, ventures 'are growing everything', as one participant illustrates:

> *"We effectively make money out of growing stuff for people, so at any time we are growing, like we are growing for the clients we are growing for ourselves, we are growing everything" (F4)*

Data showed that this context of 'growing everything' presents ventures with a distinct set of challenges. The distinctness of the context that early ventures exist have been laid out as a background to this study in Chapter 2.

In this study, further characteristics of challenges have emerged. Data has shown the challenges as being *Similar* and somewhat *Inevitable* during early stage, indicating that VCs found these challenges to be commonly occurring across early stage ventures with first time founders. To illustrate:

Similar

> *"A lot of the things that [we] have seen as venture capitalist, we see time again as we are exposed to many different companies that the same things come up" (VC6)*
>
> *"Most of the members of the board would have seen lots of early stage companies at that particular point in time. Although the companies may be working in different sector and on a completely different product, they tend to have similar issues in the first year of funding" (VC7)*
>
> *"that's very commonly the case that you put projections together and for one reason or other it doesn't happen" (VC5)*

Inevitable

> *"There are always problems that come up in seed, in early stage investing" (VC7)*
>
> *"there are a lot of moving parts, there are a lot of things that can change" (F5)*
>
> *"There will be all sorts of bumps in the road. And in fact, most will adapt" (VC8)*

Specifically, two types of challenges have emerged from the data: challenges that were faced by the company and challenges facing by the Founder.

The first set, *Company Challenges* consisted of issues of *Performance, Commercialisation, People Issues and Funding* challenges. At this stage in their development, ventures typically experiment with different 'go-to market' strategies, in order to commercialise ideas, grow their customer base and revenues. As participants demonstrate:

Commercialising:

> *"the test here is more of a commercial challenge" (VC5)*
>
> *"Over and above that growth companies will simply need to get new customers" (VC6)*
>
> *"The biggest concern is that classic how do you achieve this product-market" (VC1)*

However, venture *Performance* at this stage has quite a unique characteristic about it, because, as a category, it emerged to sum up the experiences which show that in early ventures, the performance seems to be always or usually below any KPIs. In participants own words:

Performance:

> *"business plans and budgets are only a scenario. From experience, you actually know that's one scenario they are never going to hit, it'll be something else, but at least it gives a scenario to measure performance against" (VC1)*
>
> *"that's very commonly the case that you put projections together and for one reason or other it doesn't happen" (VC5)*
>
> *"revenues don't always line up and projections are always wrong" (F5)*
>
> *"us being an early stage tech business, when you are always running behind the finances" (F6)*

At the same time, ventures require multiple rounds of funding and data show that the issue of *Funding* is ever-present during the *Behaving Bigger* stage:

Funding:

> *"we took a number of follow on rounds from same investors before doing a Series B when we introduced a second institutional investor into the mix" (F6)*
>
> *"By the nature of these types of companies they are venture-backed, they typically, the don't just need a one round of funding, they need multiple rounds of funding" (VC5)*
>
> *"we had quite a few follow on rounds because we were growing very, very quickly" (NED3)*

Internally, Founders are under unique set of pressures to deliver on expectations within extremely unstable and ever-changing internal and external environments while at the same time, for most of them, this was their first instance dealing with any of that. Since it is not uncommon for ventures to fail to meet the performance targets, together with challenges of fundraising and commercialisation, it is also not unusual for venture to face some sort of *People Issues*, disagreements or, at extreme end, failure of the relationships:

People Issues

> *"Most of our companies that haven't worked out at all have been through some kind of failure of the relationships, either investor or founder or founders to board, pretty much all" (VC1)*
>
> *"when I saw there was a dissent brewing in the different direction" (NED1)*
>
> *"between myself and my cofounder, who is also a Director, we probably have quite a different opinion actually, which comes out in the board meeting, quite a lot probably" (F1)*
>
> *"we were having a little bit of a, [COFOUNDER] and I, we were having a little bit of a meltdown at that point, very much so 'ooo' it didn't feel like anything was going right" (F2)*

The second set, *Founder Challenges*, consisted of challenges faced by first time Founders such as *Self-Doubt and Tunnel Vision*. To illustrate:

Self-doubt:

> *"I am a first time founder, so a lot of the time I am wondering whether I am even putting my attention in the right things right now" (F1)*
>
> *"it's every single day we are having to look at this anyway and [COFOUNDER]'s constantly questioning everything that he does on marketing, every single day" (F2)*
>
> *"A lack of belief in ourselves, was the reason for getting in with them, because it was supposed to give us a financial comfort, the financial cushion" (F3)*

Tunnel Vision:

> *"you always have got challenges to deal with on a daily basis. they [the team] are involved in the problems of today and tomorrow, not necessarily 12 months out" (VC5)*
>
> *"most of the time the executive team is just busy keeping the lights on and just working day in day out" (VC6)*
>
> *"they are loosing sight of what they are trying to achieve" (VC4)*

Table 22 summarises the category *Venture Challenges* and its properties (illustrative quotes for each code and dimension can be found in *Appendix 5 From Data to Concepts*).

Table 22. Venture Challenges

CATEGORY	**VENTURE CHALLENGES**
Selective Code, Property	**Open Codes, Properties**
Challenges Characteristics	Similar
	Inevitable
Company Challenges	Performance
	Commercialisation
	People Issues
	Funding
Founder Challenges	Self-doubt
	Tunnel Vision

Source: Table Developed by the Author, 2020

4.3.4 Unused Codes

As it happens naturally throughout this stage of data analysis, it was not possible to meaningfully relate several of the open categories to the core category (Glaser, 1978). Therefore, they have been excluded from selective coding. Similarly, some selective codes did not saturate, and therefore they have also been removed from the process (Glaser, 2011). Table 23 provides a snapshot of unused codes.

Table 23. Unused Codes

Unused Codes
VC Type – Full-Service VC, Public-Sector Backed VC
Picking Investors – Having a Choice, Not Having a Choice
Board Strategy Session
Board Size – Small, Large
Board Structure – Investor Dominated
Low Technical Risk as property of Characteristics of Early Venture
Lead Investor
Collective Investor View

Source: Table Developed by the Author, 2020

4.3.5 Revisiting Research Question

Throughout this stage of data collection and analysis it is important to highlight "an interaction between the emerging analysis and the research question" (Urquhart, 2013, p.121). To re-cap, as a typical classic grounded theory research, this study started with a broad two-part research question:

> *What are the issues that directors on venture boards face?*
>
> *How are these issues being resolved?*

The process of open coding has effectively answered those questions by identifying the main concern and the core category. Additionally, the process of selective coding and theoretical sampling has sharpened and deepened the dimensions of categories relating to the core. Effectively, this allowed to identify "dimensions of the research problem" (Urquhart, 2013, p.118). The process of coding and constantly comparing categories to each other raised one rather interesting issue around the core category of optimising for exponential growth. As such, the research question has therefore been evolved into:

> *How does the process of Optimising for Growth explain the variations in experiences on early venture boards?*

Thus, the resulting research question defined the research problem. Most importantly, since the relationship between selective codes was also observed, it signalled a move towards the next stage of analysis – theoretical coding (Urquhart, 2013).

4.4 Theoretical Coding Stage

The previous sections covered the first two stages of a GT data analysis – open and selective coding. The outcome of these stages is a set of selective codes, also known in GT as substantive codes since they "conceptualise the empirical substance of the area of research" (Urquhart, 2013, p.107). In essence, the substantive codes provide a rich conceptual description of the research area under investigation (Glaser, 1998). Since GT method is usually used to study areas that have not been previously explored much and, therefore, difficult to define from the outset, arriving at a conceptual description of it is a significant step in the research process. This is because it would often provide novel insights into the area under study (Suddaby, 2006). In this study, for example, the set of substantive codes specifies the little explored area of what is happening on early venture boards as a process of *Optimising for Growth*.

In addition to providing a conceptual description of the research area, the substantive codes also constitute initial elements of theory (Glaser and Strauss, 1967). However, in order to complete the building of the theory, it is necessary to have both the set of substantive codes and a relationship between them (Urquhart, 2013). In GT, to arrive at theory, the process of discovering relationship is done via relating substantive codes to each using the third type of coding – theoretical coding. The aim of theoretical coding is therefore to identify relationships by a process of comparing substantive codes to each other and conceptualising that relationship (Urquhart, 2013). This third stage plays a critical role in the process of theory development

because “without these statements of relationships, we are not theorising” (Urquhart, 2013, p.106). As Figure 9 below summarises.

Figure 9. Theoretical Coding Stage

THEORETICAL CODING STAGE		
Purpose:	**Analysis: How and What:**	**Outcome:**
• Specify relationships between codes, i.e. find theoretical code • Generate the substantive theory	• Memo sorting, modifying, re-integrating and verifying the codes • Identifying the relationships between the codes • Constructing substantive theory as a set of relationships between concepts derived directly from the data	• Theoretical codes specifying the relationship among 6 selective codes • Substantive theory of *Optimising for Growth*

Source: Figure developed by the Author, 2020

Although the process of collecting and analysing data has been presented here in a logical sequential process, it is widely acknowledged in the GT literature that, in reality, the three stages have significant overlap (Urquhart, 2013). Therefore, using GT method is more of an ambiguous, iterative and reflective process of constantly going in and out and between the raw data, codes and their conceptualisation as opposed to a logical, step-by-step linear process with well-defined boundaries (Glaser, 1978, Suddaby, 2006, Urquhart, 2013). Correspondingly, theoretical coding in this study began during theoretical sampling.

Theoretical coding is aided by a process of memo sorting. Memo sorting is organising the large bank of memos in an analytical order (Glaser, 1992). Such structuring of memos is necessary since they have been written over a period of the research project and in no particular order. Glaser (1978, p.117) suggests to sort “the categories and properties in memos by similarities, connections, and conceptual orderings” and argues it would compel patterns of relationships between categories to become more visible. Further, Glaser

(1978, p.118) maintains memo sorting cannot be skipped as “it modified, re-integrates, proportionalises and verifies the codes”. Consequently, the memos were sorted “by similarities, connections, and conceptual orderings” into structural processes, social-psychological processes, behaviours, contexts, consequences, types, characteristics and strategies (Glaser, 1978, p.118). The memos were the re-sorted around the emerging selective codes.

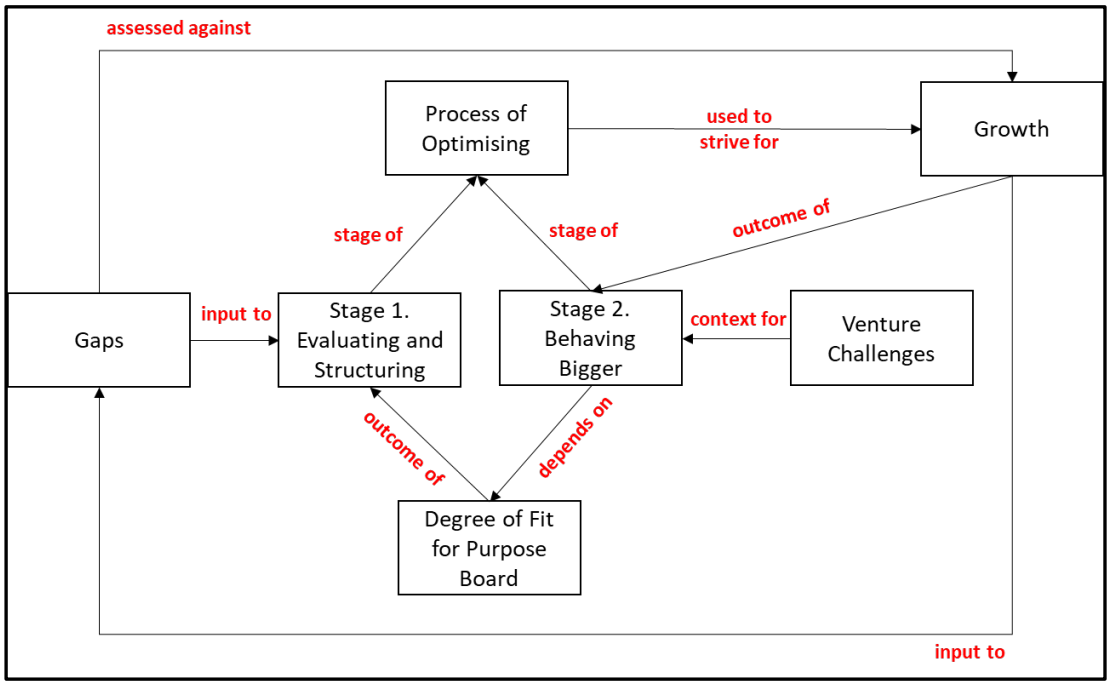
Next, it was necessary to identify the relationships between the codes. Although Glaser (1978) provides examples of several theoretical coding families to try for fit, he also encourages researchers to develop their own theoretical code based on the relationships emergent from memos and data. To this end Glaser (1978, p.118) suggests “asking theoretical questions” to each of substantive codes, for example “is it a condition or a context? Is it a matter of degree or two dimensions?”. Following this type of questioning, the following relationships between the 6 selective codes were identified:

- Gaps were an ***input to*** Stage 1 Evaluating and Structuring Stage;
- Evaluating and Structuring was a ***stage of*** the process of Optimising;
- Degree of Fit for Purpose Board was an **outcome of** Stage 1 Evaluating and Structuring;
- Behaving Bigger was a ***stage of*** the process of Optimising;
- Venture Challenges were a ***context for*** Behaving Bigger;
- Stage 2 Behaving Bigger was ***dependent on*** Degree of Fit for Purpose Board;
- Process of Optimising was ***used to strive for*** Growth;
- Characteristics were an ***outcome of*** Stage 2 Behaving Bigger;

- Gaps were ***assessed against*** Growth;
- Growth served as ***input to*** Gaps.

This inter-relationship of categories provides an overview of the structure of the theory. Figure 10 provides a visual representation of the emerged theoretical framework.

Figure 10. Emergent Substantive Theory of Optimising for Growth



Source: Figure Developed by the Author, 2020

The theoretical framework that emerged here illuminates what happens on boards of early ventures and explains variations in behaviours by a set of relationships. At this stage, the theory has been shown as sufficiently grounded and this serves as a signal to engage with the literature in the substantive field of interest by relating it to the theoretical framework (Glaser, 1992).

4.5 Summary of the Emergent Theory of Optimising for Growth

Thus, the substantive theory of *Optimising for Growth* on the work of early venture boards can be summarised as follows:

- Directors on early venture boards are involved in a complex two-stage process of optimising the board's role, company processes and founder, in order to achieve growth.

- The process takes place between investment rounds, it starts immediately post first investment round, and it culminates with taking on the next investment round. If ventures are not successful in obtaining the next round of funding, they typically close down. If ventures are successful in gaining further funding, their boards would typically change to include new investors.

- The outcome of the process of optimising is growth, defined by company growth indicators and Becoming CEO attributes. These are evaluated by VC investors, existing and new, to determine if company and its CEO are fit for a further investment round.

- The first stage of the process includes evaluation of different types of gaps and subsequent structuring of boards to fill those gaps, resulting in a board fit for purpose of monitoring or providing strategic help.

- The second stage of the process involves complex value add interactions between board directors that compel the venture to

behave as a bigger company. The effectiveness of these interactions depends on the degree of fit for purpose board and the context of challenges faced by ventures and their founders.

4.6 Chapter Summary

Grounded theory is understood and learnt simply by “doing it” (Heath and Cowley, 2004). This chapter provided an account of how data was collected and analysed for this study demonstrating the learning-by-doing process of engaging with the method.

Although, in reality, the data collection and analysis were overlapping and iterative, this chapter presented and organised the outcomes of the process. The open coding uncovered the participants’ main concern and a core category which explained how they resolve it. It was showcased how the principle of constant comparison was applied from the start of the analysis to create codes and develop their properties. Examples of memos wrote throughout the process were also included. Moving into the second stage of selective coding, it was demonstrated how only the categories that meaningfully related to the core were coded and saturated and how the analysis progressed with densifying the emerging codes via a process of theoretical sampling. The analytic requirements for the theoretical sampling were outlined based on the emerged but unsaturated codes. Furthermore, it was showed how throughout the analysis the level of abstraction was increased, abstracting 18 initial selective codes into a set of final 6 categories. At the same time, the evolution of the study’s research question was also considered. Finally, theoretical coding, the final stage of the analysis, was also presented as a process of relating selective codes, aided by memo sorting.

The chapter culminated with an emergent substantive theory of *Optimising for Growth*. In the next chapter, the researcher the theory will be refined by engaging with the literature.

Chapter 5 The Emergent Theory Within Extant Literature

5.0 Introduction

Previous chapter has showcased the development of substantive theory of *Optimising for Growth*. Although the emerged theory enhances the understanding of early venture boards, it is still understandably nascent. To this end, the grounded theory method asserts that "it is both necessary and desirable to relate the emerged theory to literature" (Urquhart, 2013, p.129). It is deemed to be 'necessary' because such process further abstracts of the emerged theory relating its components to other theories in the extant literature. It is also considered 'desirable', as the process demonstrates the role of the emerged theory in the wider theoretical landscape.

The purpose of this chapter is, therefore, to integrate the emerged theory of *Optimising for Growth* within extant literature. In line with the GT procedures, this is done at the end of the GT process and achieves two objectives (Glaser, 1978). Frist, reviewing the extant literature serves to refine and validate the emerged theory, enabling further abstraction and arriving at a more formal substantive theory. Second, it also helps identify areas of contribution to the existing knowledge with novel insights (Urquhart, 2013).

Thus, the first section of this chapter briefly discusses the GT-based process of transforming the substantive theory to a more formal grounded theory. Then the second section considers the relevant extant literature. The section shows how relevance of the reviewed literature was determined by the substantive theory. The appropriate corporate governance literature,

corporate finance literature, entrepreneurship and leadership literatures are therefore reviewed throughout the rest of the section, organised around the core category of *Optimising for Growth* and its two stages, *Stage 1 Evaluating and Structuring* and *Stage 2 Behaving Bigger*. This review identifies areas of convergence and divergence between the study's findings and the existing body of knowledge, thus shaping the contribution of the study (Urquhart, 2013). It also refines the substantive theory, preparing it for further abstraction to a more formal substantive theory, which is completed in the final section of this chapter.

5.1 From Substantive to a More Formal Grounded Theory

The aim of this study was two-fold: first, to understand what happens on early venture boards and, second, to develop a theoretical framework of the complex relationship between directors' attributes and behaviours, board's role and processes, and venture performance during the critical early stages of development. Grounded theory method defines theory as a set of concepts and relationships between them, all integrated into a framework that explains a phenomenon (Glaser and Strauss, 1967). Thus, the study's aims were met by developing the substantive theory of *Optimising for Growth*, a two-stage process of optimising the characteristics of company systems and processes, founder and venture board.

Substantive theories are developed from the specific context of experiences being studied and thus, they pertain only the specific "practical domain" (Locke, 2000, p.35). Formal theories, however, explain and predict relationships between entities and are applicable to wide areas of organisational life regardless of context (Straus, 1987). They are usually comprised of high-level conceptual entities (Glaser and Strauss, 1967). Conversely, there are "not many examples of formal theories" developed using the grounded theory method (Urquhart, 2013, p.192). This is because it would require carrying out theoretical sampling through several relevant contexts to widen the scope, generalise and test the substantive theory, which is usually outside the constrains of a doctoral study. It is expected, however, that substantive theories developed by doctoral research, are moved "through levels of conceptualisation" (Urquhart, 2013, p.131).

The process of transformation from a substantive theory to a more formal substantive theory is a process of abstracting and relating concepts to each other and then to the extant literature (Glaser, 1978). Thus, the researcher is starting with “a bounded context” and by engaging with the extant body of knowledge, she is arriving to a more formal grounded theory. Since substantive theories are developed from data but not tested, this process of relating it to the existing body of knowledge improves their “analytic generalisability” (Urquhart, 2013, p.136). Thus, a more formal substantive theory contains more theoretically abstract concepts and relationships between them (Urquhart, Lehmann and Myers, 2010).

The subsequent section reviews and compares the substantive theory of *Optimising for Growth* to the relevant literature. This review identifies areas of convergence and divergence between the study’s findings and the existing body of knowledge (Urquhart, 2013). It also refines the substantive theory, preparing it for further abstraction to a more formal substantive theory, which is completed in the final section of this chapter.

5.1.1 Integration of Emergent Theory with Extant Literature

Bringing the emerged substantive theory and existing literature together enhances its theoretical level (Eisenhardt, 1988). This section offers the integration of the developed theory of *Optimising for Growth* with the relevant literature. The decisions about the relevance of literature are guided by the emerged theory and its theoretical concepts (Urquhart, 2013). This section provides a summary how the relevant extant literature was organised in this study. It then critically discusses the literature relating to the key theoretical concepts of *Optimising*, *Stage 1 Evaluating and Structuring* and *Stage 2 Behaving Bigger*.

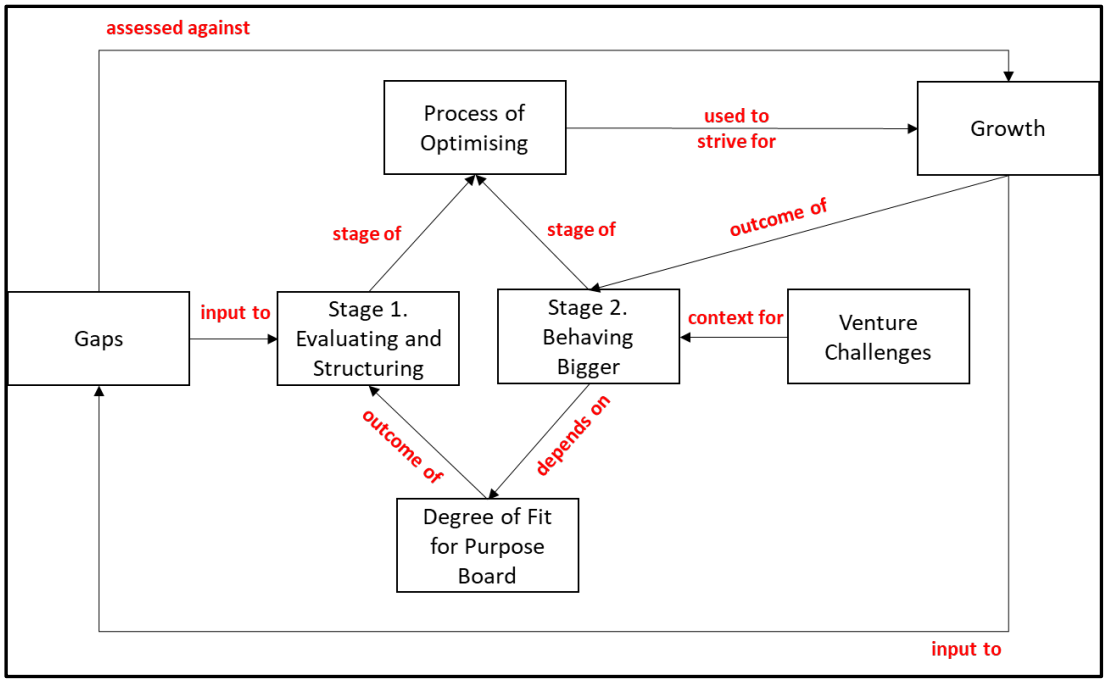
5.1.2 Organising Relevant Extant Literature

As the emergent substantive theory of *Optimising for Growth* guides the choice of literature, the review covers only the literature that is relevant to the developed concepts and relationships between them (Glaser, 1978).

In brief, *Optimising for Growth* has emerged as a process of transformation from early venture, first time founder, non-existent or nascent board into a company of discernible growth, with effective board that is fit for purpose and a founder demonstrating characteristics of a more experienced CEO.

This transformation was revealed by data to be a two-stage process. First stage consisted of *Evaluating gaps* and *Structuring boards* to *Fit for Purpose*. Second stage was about *Behaving Bigger* as a company and founder, which happened in conjunction with board adding value activities. Figure 11 is a diagrammatic illustration of the theory as a reminder.

Figure 11. Emergent Substantive Theory of Optimising for Growth



Source: Figure Developed by the Author, 2020

As this brief overview of the emergent theory suggests, the relevant literature is multi-disciplinary. Not surprising, it goes beyond the obvious field of corporate governance and venture boards. "There are many different ways of thinking about boards of directors" (Nicholson and Kiel, 2004, p.4). Thus, upon closer examination of relevant concepts in literature, it was deemed appropriate to include corporate finance, entrepreneurship and relational leadership as well as corporate governance research fields into the review.

In order to reflect the structure of the emergent theory, as suggested by the GT method, the literature review has been organised in three areas: *Optimising* literature, *Evaluating and Structuring* literature and *Behaving Bigger* literature (Urquhart, 2013). Table 24 provides an overview of the relevant literature within the structure.

Table 24. Overview of Relevant Literature.

Area of Substantive Theory	Relevant Literature
Optimising for Growth	Professionalising in Corporate Finance and Governance Literature Hellmann and Puri, 2002a, Davila and Foster, 2005, Filatotchev and Wright, 2005, Wasserman 2014
	Capability development in Management and Governance Literature Zahra and Filatotchev 2004
	Relational leadership in Leadership Literature Uhl-Bien, 2011
Evaluating and Structuring Stage	Board attributes, such as director characteristics, board composition, and the role of boards in Corporate Governance Literature Pettigrew, 1992, Johnson, Daily and Ellstrand, 1996, Forbes and Milliken, 1999, Huse, 2000, Garg, 2013, Garg and Eisenhardt, 2017, Garg and Furr, 2017
	Mindset and Cognition in Entrepreneurship Literature Mitchell et.al, 2002, Wirtz, 2011, Eggers and Kaplan, 2013
Behaving Bigger Stage	Value Add in Corporate Governance Literature Sapienza, 1992, Sapienza, Manigart and Vermier, 1996, Busenitz, Fiet and Moesel, 2004, Wasserman and Boeker, 2005

Source: Table Developed by the Author, 2020

In summary, the process *Optimising* itself has been located in corporate finance literature on professionalising of startup firms the entrepreneurship and management literature on new capabilities development and the literature on relational leadership.

Stage 1 Evaluating and Structuring has been located within the corporate governance literature on attributes, composition and the role of boards. This

literature is vast but mainly developed in the context of large corporations, their boards and their experienced CEOs. A novel insight developed in this study has been offered as a contribution to this extant literature from the emerging entrepreneurship literature on mindset and cognition.

Finally, *Stage 2 Behaving Bigger* has also been positioned within the corporate governance literature on value add. The integration with the literature reveals the study developed novel insight into the understanding of board-founder value add interactions by linking specific venture challenges and value add activities.

5.1.2.1 Optimising For Growth In Extant Literature

The emerged process of Optimising for Growth was located within the extant literature on professionalisation of startup firms by VC investors, the entrepreneurship and management literature on new capabilities development and the literature on relational leadership.

Optimising Systems and Human Resources

In corporate finance literature, professionalising of startup firms is described as a process of raising a standard of all organisational aspects of a new company (Harper, 2001). This is very similar to the concept of *Optimising for Growth* process, discovered in this study and defined as a process of transformation, where structural attributes of venture and board, and cognitive attributes of founder and the directors, are developed, adjusted and enhanced to foster growth of the company.

Extant research focused on activities of VCs, specifically suggests that VC directors play a primary role in the professionalisation of ventures they invest in (Hellmann and Puri, 2002a). Not surprising, therefore, that optimising was found in this study to be a core process resolving the main concern of VC Directors.

The extant literature uses two factors to explain the reasons behind VCs attention to professionalising.

First, VC funds tend to have a limited period of typically ten years within which they must invest and get returns (Gilson, 2003). Therefore, VCs are under pressure to control the exit from their investments (Bonnet, Wirtz and

Seville, 2013). They do so by compelling their investees companies to professionalise as early as possible, thus providing the “important signal to the market that the company has arrived” and getting prepared for sale or IPO (Jones, 2017, p.170). According to this literature, exiting and achieving return is the key concern of VCs. However, the study suggests that during early stages of investment, achieving growth as opposed to exit is the main concern of VCs, because without growth, company fails to progress altogether.

Second, listing on a stock exchange “has served as the ultimate exit strategy” for startup ventures and VCs for over several decades now (Jones, 2017, p.170). Such listing requires companies to have a complex set of systems and processes to be in place and operating for a certain number of years ahead of the listing, depending on the specific rules of a relevant stock exchange institution. This means professionalising as early as possible is very important to the process of preparation for the IPO. This is believed to have “a significant disciplining effect on managers of startups” as it forces them to “assemble infrastructures that would pass muster with underwriters and the public” (Jones, 2017, p.170). In turn, this discipline encourages startups to mature their operations as early as possible and simultaneously with their efforts to grow, effectively pushing early stage firms to appear and behave as much bigger companies than they actually are. This *Behaving Bigger* aspect is a point of convergence between the extant literature and the emerging theory of *Optimising*.

The extant literature suggests VCs focus their professionalisation efforts on two broad areas of their investee startups: they encourage the adoption of professional company systems, processes and policies, and they also influence the human resource base of the company by, for example, recruiting professional senior management team and/or replacing original founder with an experienced CEO (Hellmann and Puri, 2002a).

Typically, organisational systems, processes and policies are at the centre of the transformation efforts as adopting professional methods to operate the business is a very “important event in the life of young and growing companies” (Davila and Foster, 2005, p.1039). Examples of such efforts include switching to professional management accounting and financial reporting systems, introducing standardised sales and customer services processes and developing internal company policies. Davila and Foster (2005) study examined adoption of management control systems in startup companies in the US. They found systems adoption was highly relevant to the growth of startup firms. In particular, the rate of adoption was associated with the increase in company size, international expansion and rise in revenue. Unsurprisingly, they also found a link between adoption of management control systems and CEO turnover, highlighting that CEOs with shorter tenures tended to have implemented fewer professional management systems. This finding links professionalising of systems with professionalising of the CEO, i.e. the recruitment of a professional CEO to replace the original founder.

Recruiting professional CEO is part of VC activities aimed at professionalising the human resources base of their investee companies. This activity has several dimensions. It is not uncommon, for example, to see VCs to introduce non-executive directors to startup boards (Filatotchev and Wright, 2005). It is also quite a commonplace for VCs to be involved in recruiting experienced professionals into other top management roles (Conti and Graham, 2016). Such professionalising efforts signal to the outside world that the company has the competencies, capabilities and skills that are commonly perceived as required to run large companies. This is often considered by VCs and startups as VC value-add service alongside providing the funding.

Replacing founder with a professional CEO is deemed to be a “significant step in the professionalisation” of startup’s human resources (Hellmann and Puri, 2002a, p.181). In VC-backed businesses, although it is somewhat contentious, hiring a professional CEO to replace founders is not only very common, but, in fact, it is considered to be the most likely outcome of the VC involvement (Hellmann and Puri, 2002a). Moreover, the effect of VC on CEO replacement is “statistically significant and economically large” meaning it has impact on the company valuation (Hellmann and Puri, 2002b, p.21). Explanations for hiring a professional CEO tend to be related to the performance of original founder, such as, for example, delivery of poor company performance (MacMillan, Kulow and Khoylian, 1989, Bruton, Fried and Hisrich, 2000, Schefczyk and Gerpott, 2001) or inability to manage a large company, which, if you are a young first time founder, requires a very different types of skills and experience to launching a startup (Stevenson and

Jarillo, 1990). However, this is far from a full picture. Studies have also shown that even if founders meet performance expectations in achieving growth, VCs were just as likely to bring in a professional CEO (Hellmann and Puri, 2002a). This is partly because ventures, where founders that have not been replaced, find the transition into a larger firm a lot more difficult to manage (Hambrick and Crozier, 1985). Although, more significantly, as research into over six thousand American startups by Wasserman (2014) has so strikingly shown, companies where founders remained in the CEO position, were, in fact, between c.23-58% less valuable compared to companies where original founders gave up their control.

Since founder replacement is such a contentious issue, it has, by itself, become of high interest to researchers. Thus, it emerged into a separate and growing literature on its own (Boeker and Karichalil, 2002). This emerging literature has expanded the understanding of factors that influence founder replacement (Dubocage and Galindon, 2014) and shed light on the relationship between the startup performance and the founder replacement (Chen and Thompson, 2015). In this study, however, the process of *Optimising for Growth* looks at the very early transformations of company, board and the founder. As such, the findings of this study indicate founders are evaluated and judged at the end of the optimising process, as part of the decision to invest further. Since founder replacement has not emerged as a strong relevant concept of the theory, therefore, this specialist literature was considered outside the scope of this review.

In summary, within VC backed startup context, professionalising is a process of raising a standard of organisational and human resources of investee companies. It is instigated by VCs in response to the time pressures to deliver fund returns and the need to meet strict IPO criteria, the top exit route to achieve exponential return. In relation to this study, the literature on professionalising places the process of optimising in the context of VC's ultimate aim of achieving an exponential return on their investment portfolio. Having limited timescales to realise the return justifies starting the optimising process early on even when the venture is still quite nascent. This 'big picture' perspective from the extant literature allows to locate the emergent theory of optimising for growth in the corporate finance literature on professionalising.

In the extant literature, professionalising refers to the development of VC-backed startup companies into pre-IPO firms. IPO, however, can take several years and several funding rounds, during which ventures go through several stages in their lifecycle and their investors, boards and management teams change significantly (Wasserman, 2014, Pollman, 2019). As such, the review of the literature on professionalising has shown that it does not distinguish between the stages of the investment rounds, nor does it relate to the stages in the development life cycle of the venture. It simply treats pre-IPO firms as 'early stage' (Hellmann and Puri, 2002a). This can be partly explained by a lack of data on the early and transitional stages of startups and availability of data on pre-IPO firms. Furthermore, the current studies tend to focus on the VC effects of professionalising and lack insights into the process itself. This study's emerged theory of *Optimising for Growth*,

however, provides such insights, including stages of the process, board's role and activities as well as characteristics of the early venture and founder. The results of this study also suggest professionalising efforts are linked to investment rounds, points at which investors have higher negotiation power to compel changes they want as conditions of their next investment. Whilst this study looked specifically at the period between the ventures first and second significant funding rounds, the findings indicated that optimising starts with a VC investment and then it is triggered again with a follow-on investment, when company, board and a founder characteristics are evaluated against gaps and the VC's growth expectation criteria by a new set of board actors. Thus, this study contributes to the literature by providing insights into the process of professionalising, its cyclical nature and links to investment rounds and venture lifecycle.

The findings are also aligned with this literature in a sense that it shows VCs initiate professionalising of company systems, processes and policies as early as first investment. According to this study, VCs evaluate structural gaps, such as systems and processes, KPIs, skills and experiences, and cognitive gaps, such as founder's understanding of governance, their role and the role of the board, immediately post investment. Based on the identified gaps, VCs provide assistance, for example, they recruit NED into a role of a mentor for founder or offer templates for board reporting. Through their value add activities, investors also get involved operationally and strategically.

It has emerged, however, that early on there is a need to balance professionalising efforts with the availability of resources. For example, the founders should not be spending a disproportionate amount of time on board reporting, if the startup team is still very small and basically consists just of 2-3 co-founders. Founders' resources, time and efforts, might be better spent on product-market fit activities or sales to drive growth. The findings from the emerged theory of optimising suggests efforts to professionalise should be balanced and efficient relatively to the availability of resources. For example, a more balanced and efficient way to report to the board would be via frequent ongoing communications between the founders and the board as opposed to a lengthy monthly board pack, as it emerged in the results.

Regarding influencing the human resource base of the company as part of professionalising efforts, the findings suggest VCs are involved and support startups with recruitment of NEDs. However, replacing founder is not on their agenda at least until the venture starts looking for another round of funding. Findings show that early on VCs very much associate the startup with the founders and see it is as pointless to replace them. Founder mindset characteristics, such as coachability, receptiveness to advice and susceptibility to value board, as emerged in this study, have a huge influence on the ability of the board to add value. During *Behaving Bigger Stage* of *Optimising*, the founder-VC develop their relationship and level of trust through various interactions. Founders also develop a set of dynamic capabilities through this relationship and their venture role. Together with company performance, founders' capabilities and the level of trust, motivate the VCs judgement on whether at the next round they should be

professionalising the senior management team by brining in a replacement CEO.

The objective of this study was to explain variations in director board experiences in early ventures. Specifically, this observable variation in experiences suggests some early board propel startups to growth and others fail to add any value, even where different startup boards have the same VC (Garg, 2013). The findings have suggested that the variation can be attributed to the difference in efforts of cognitive and structural alignment of the founder, the board directors and the company. Whilst this novel explanation has emerged from the data, the extant literature of professionalising offers an alternative option. As it was revealed above, empirical studies show that to get ready for IPO, VCs are highly likely to replace founders by bringing in a professional CEO (Hellmann and Puri, 2002b). Controversially, this suggests that since founders are likely to be replaced, it is counter-productive for time-poor VCs to invest resources in helping first time founders develop their dynamic capabilities. However, the recent trends, discussed in Chapter 2, indicate that founders of most valuable companies have been retaining ownership and CEO positions. This trend is a point of divergence with the extant literature on founder replacement, indicating that the literature needs updating. It also leads to the conclusion that investing resources in developing founders is a necessary priority for VC firms going forward. The theory of *Optimising for Growth*, thus, provides a framework for effectiveness of board-founder relationships.

Compared to non-VC backed companies, ventures are more likely to professionalise much earlier on in their development cycle and, equally, they are more likely to do it faster (Hellmann and Puri, 2002a). However, looking beyond the context of just VC-backed ventures, the notion of professionalising is also relevant to new or growing companies that are not in receipt of venture capital. As such the concept of professionalising is similar in nature to the concept of achieving strategic coherence in much wider literature, the industrialisation theory, i.e. the theory of economic change of the modern world. The industrialisation theory suggests that new and growing companies go through transformation where they “over time add activities that relate to some aspect of existing activities” (Teece et al., 1994, p. 3). The success of this process hinges on achieving strategic coherence among company’s core competencies and assets. In turn, strategic coherence is argued to be a function of learning and path dependencies shaped by the growth journey and a function of the environment (Teece et al., 1994). This suggests the success of professionalising efforts is also function of learning, path dependencies and context. This notion in wider literature appears to be at odds with the current literature on professionalising highlighting efforts of VCs to replace the founder as opposed to investing time and money into developing founders. Thus, the much wider literature signals the importance of learning processes in context of company growth. Such processes emerged in this study as founder learning, developing new capabilities and emerging relational leadership, have been disregarded by the VC professionalisation literature due to founder replacement issue.

Another obvious gap in the VC professionalisation literature is the role of the board in this transformation process. The extant research seems to take the presence of VCs as a proxy for board and measured effects include the effects of VC presence rather than any board-related variable. This study adds to the knowledge on the process of professionalisation by highlighting the importance of having a board that is composed and fit for the purpose of supporting the founder during the crucial early stages. This is aligned with the VC value add literature signalling that designing systems to enable optimising is very much the role of the governing board in early stage ventures (Zahra and Filatotchev, 2004).

Founder Becoming CEO

This research focused on early venture boards which typically consist of founder directors, VC directors and NEDs. The Founders were first time founders, having little experience compared to the other types of directors, who came with significantly more of experience not just in the industry but in running companies. One of concepts that emerged, is a set of behaviours that indicate transformation of first-time founder to fully-fledged CEO. In extant knowledge, this could be located in the entrepreneurship and management literature on new capabilities development.

The entrepreneurship and management literature acknowledges that first time founders need to develop new capabilities fast, highlighting that those "new capabilities usually require radically different knowledge" from what they might already have (Zahra and Filatotchev 2004, p.886). Furthermore, in the context of ventures, even exploiting existing capabilities requires different approach because of the pressure to achieve exponential growth over much shorter period of time (Zahra and George, 2002). Due to high degree of uncertainty of achieving a product-market fit, rapid change in the size of the company and ever-increasing complexity of issues that first time founders have to deal with during the early stages, the literature recognises that founders "face unique problems in creating new capabilities" and therefore "struggle with developing new skills to match opportunities and threats they face" (Zahra and Filatotchev 2004, p.887). This struggle is usually associated with several factors. First, the process of developing new capabilities or new approach to exploit them includes considerable experimentation (Daily and Dalton, 1992). Founders' attitude, unwillingness

or simply lack of ability to constantly experiment, reflect and adapt would undermine their knowledge capacity and learning capacity (Mintzberg and Westley, 1992). These would therefore also inhibit the process of new capability development (Mahoney 1995, Zahra and Filatotchev, 2004). This is in line with findings from this study, especially the concept of Founder Mindset. Second, the literature points out that it is not just the attitude and ability that are important, but also that the pace of experimenting and learning are of critical importance (Mintzberg and Westley, 1992). Ventures exist in a fast-moving context and they strive to grow from non-existing turnover and a very small team to multi-million pound revenues and a large employee base in just a few years. Comparing to the typical career path to CEO in a corporate environment taking, on average, twenty years (Schoar, 2007), first time founders must make this transformation within extremely reduced timescales. Finally, in an effort to compose venture boards with experienced directors thus filling founders' knowledge and experience gaps, it is often overlooked that not all types of knowledge are transferrable. Tacit knowledge, for example, is the type of knowledge that can only be acquired through personal experience over time and therefore cannot be transferred from an experienced director to an inexperienced founder (Conner and Prahalad, 1996). The issue, of course, then is to be able to monitor or judge the learning over time.

Currently, there is a gap in the literature in understanding early indicators or individual attributes of venture founder transformation to CEO. There is also a lack of understanding of the process itself. This study offers insights into founder attributes of behaviour that illustrate their learning and development.

In the context of early venture boards, the study has revealed that founders that have been successful in acquiring new capabilities and approaches, become more assertive in how they use the input and value-add the board members have to offer. For example, they become more proactive, very detailed and directive when asking their board for help. Thus, they show ability to evaluate gaps in their own knowledge or business, precisely identifying support they might need, and asking the right board member for that support. Overall, they become very effective in "using their board to the best possible effect" (VC8). Another indicative behaviour includes taking ownership and accountability for every aspect of the business, the typical responsibility of a fully-fledged CEO. Ultimately, they become a "custodian of everything that is happening" (VC6). Those two behavioural attributes, at board level, make it very clear to other board members when founder starts owning the vision, strategy and the accountability for the delivery of that strategy, thus becoming the CEO.

Thus, the study has revealed that founder behaviours which are indicative of the transformation to the CEO, are an outcome of the process of *optimising for growth*. All board directors are involved in this process of optimising and, as this study illustrated, the process goes beyond composing boards and following board processes, but also involves mindset alignment and value add interactions. This, therefore, suggests that the founder's transformation into a leader is relational in nature (Uhl-Bien, 2011). In other words, founder's transformation is the product or outcome of the inter-relations of directors on early venture boards throughout a period of time. In relatively recent literature, this has been conceptualised as relational leadership, meaning

leadership is seen as a process “by which social order is constructed and changed” where “self and other are not separable but coevolving” and the knowledge is “socially constructed and socially distributed” (Uhl-Bien, 2011, p.664). Relating these latest literature concepts to the study’s findings, this means that the process of *Optimising for Growth* is a relational process, and that company growth is not the only outcome of this process but Founder becoming CEO is its additional, more novel, outcome.

Section Summary

This section has positioned the emerged theory of *Optimising for Growth* within the extant literature on professionalisation of startup firms by VC investors, the entrepreneurship and management literature on new capabilities development and the literature on relational leadership. Whilst the extant literature provided a wider context and showed drivers for optimising, the review revealed a gap in the understanding of the process of professionalisation at different stages of venture development lifecycle and offered the process of *Optimising for Growth* as contribution to fill this gap for early stage ventures.

This section illustrated how the study contributes to this literature on professionalisation by highlighting the role of the board and by providing the framework for effectiveness of board-founder relationships. The study's findings also indicate that the process of *Optimising* is relational in nature, it serves as a backdrop and a driver for the transformation of inexperienced Founder into a fully-fledged CEO. Table 25 summarises the contribution.

Table 25. Contribution to Professionalising Literature

Area of Contribution	Supported	Added	Challenged	New
Corporate finance literature on professionalising of startup firms backed by VCs	• Early ventures are under pressure to **professionalise as early as possible** (Jones, 2017), conceptualised in this study as *Behaving Bigger* stage • In early ventures HR base is professionalised by **introducing experienced NED**s to boards (Filatotchev and Wright, 2005)	• Unlike professionalising where VC's **main concern is exit** (Bonnet, Wirtz and Seville, 2013), during early stages of investment and when optimising, VCs main concern is growth since without it, the startup and the investment simply fails to reach the next stage	• This study **challenges** that founder replacement is as a matter of 'when' as opposed to 'if' (Hellmann and Puri, 2002a). Because during the early stages, founders are indistinguishable from the venture. Study **offers founder characteristics** which are used by VCs to judge bringing founder replacement (this is also a contribution to practice). • Since founders are eventually replaced, it might be counter-productive for VCs to invest in founder development. This study challenges this and offers *Optimising for Growth* as framework for the effective VC-Founder-Board relationship.	• Professionalising is a 'black box', (Hellmann and Puri, 2002a) *Optimising* is offered as the first stage of professionalising process, linking it to stages in investment rounds and in company development lifecycle. • Extant literature equated boards with VCs, this study offers boards to have an important role in the optimising and professionalising process. • The process of *Optimising for Growth* is a relational process (Uhl-Bien, 2011). Company growth is not the only outcome of this process but *Founder becoming CEO* is its additional, more novel, outcome.

Source: Table Developed by the Author based on Scott (2007)

5.1.2.2 Evaluating and Structuring Stage in Extant Literature

Findings suggested that post-investment, the first stage of *Optimising for Growth* involved two types of activities: evaluating and structuring.

Evaluating included appraising gaps in structure, such as systems and processes, key performance indicators and skills and experiences, and gaps in founder cognition, or understanding governance and the working of the board. Structuring meant the subsequent filling of those gaps. The outcome of the activities of this stage was essentially a set of board structures and processes and a mindset dynamic on the board. The degree to which those structures, processes and mindset were 'fit for purpose' of achieving growth, in effect, represented the assumed dominant role of the board and, as such, it emerged as a micro-foundation for board effectiveness at delivering added value at the next stage of the process, *Behaving Bigger*.

Based on this set of concepts and the relationships between them, this stage and its activities can be broadly located in corporate governance literature, specifically the literature pertaining to board attributes, such as director characteristics, board composition, and the role of boards (Pettigrew, 1992, Johnson, Daily and Ellstrand, 1996, Huse, 2000), and an emerging entrepreneurship literature on mindset and cognition (Mitchell et.al, 2002, Eggers and Kaplan, 2013). These are reviewed below.

Board Attributes

Whilst the extant corporate governance literature on board attributes focuses most exclusively on the traditional context – large corporates (Roberts, McNulty and Stiles, 2005), with the recent increase in importance of ventures, it has been extended to the context of investor-backed private companies (Garg, 2013, Garg and Eisenhardt, 2017).

Board attributes, such as director demographic characteristics (Lynall, Golden and Hillman 2003, Beckman, Burton and O'Reilly, 2007), board size (Eisenberg, Sundgren and Wells, 1998) and board independence (Bhagat and Black, 1999, Lawrence and Stapledon, 1999), are the most studied aspects in the corporate governance literature (Forbes and Milliken, 1999). The bulk of this literature seeks to determine and predict the relationship between these board attributes and the performance of the firm (McNulty, Zattoni and Douglas, 2013). It is widely recognised, however, that so far these efforts have failed to produce any conclusive results (Daily and Johnson, 1997, Van Ees, Gabrielsson and Huse, 2009). Whilst this study was focused on gaining understanding and explaining differences in experiences on early venture boards as opposed to predicting the relationship between board attributes and performance, its findings do, however, include profiles of venture board directors. Therefore, some of this board attributes literature was deemed relevant.

The extant knowledge on the demographic characteristics of early venture board directors has effectively been offered in Chapter 2, whilst providing the context to early venture boards as a backdrop to better understand the

substantive area of interest. In brief, the literature shows that early venture boards typically include three types of directors: Founders, VC Investor Director and NED, each with idiosyncratic demographic characteristics. Thus, Founders are typically young individuals with first time experience founding and running a company, often having an in-depth technical knowledge but lacking market, sales and marketing expertise (Sapienza and Gupta, 1994, Sapienza, Manigart and Vermier, 1996). VC Investor Director are characterised by having current experience on large number of boards, including startups and growth companies, and having industry knowledge because they tend to specialise in investing in specific sectors (Sorenson and Stuart, 2001). VC Investor Directors also have strong and personal financial incentives linked to the success of the venture (Sahlman, 1990, Garg and Furr, 2017). Individuals appointed as NEDs usually have a significant amount of experience in the relevant markets and industries (Lerner, 1995). However, the way NEDs are appointed and incentivised, influences their independent status (Davis and Cobb, 2009, Garg and Furr, 2017). Chapter 2 discussed these demographic characteristics in detail and in comparison to directors on boards of public firms, the traditional context for the literature. The findings from this study are in line with this literature.

Mindset

The findings of this study have also conceptualised the demographic profiles of Founders, VC Investor Directors and NEDs, as shown in Chapter 4. These profiles are positively in line with the literature, highlighting the striking asymmetry of knowledge and skills between Founders and other types of early venture directors. The findings, however, included *Mindset,* a novel demographic characteristic of Founder directors. In this research, *Founder Mindse*t has emerged as a cognitive feature indicating the coachability of founder, their receptiveness to advice and susceptibility to value board and its contribution.

In extant literature, mindset, as a concept, has emerged relatively recently in the entrepreneurship literature from the managerial cognition literature, rooted in psychology literature (Mitchell et.al, 2002, Eggers and Kaplan, 2013). Generally defined, mindset is activation of cognitive processes that help with better dealing with complex tasks and environments (Gollwitzer and Bayer, 1999). In entrepreneurship literature, entrepreneurial mindset is known as “the ability to rapidly sense, act, and mobilise”, and it represents a way of thinking by entrepreneur about the complexities of their venture, often being able to focus on strategic opportunities and actions, even in conditions of extreme uncertainty (Ireland, Hitt and Sirmon 2003, p.967). As such, mindset is believed to influences CEO’s interpretations of the environment around them, thus shaping the way they respond to the challenges (Lant, Milliken and Batra, 1992, Ocasio, 1997, Reger and Palmer, 1996).

Mindset is, therefore, linked to behaviours and actions, since cognitive processes are evoked when individuals make decisions, assessments or judgements (Mitchell et al., 2002). The findings of this study suggest that the differences in Founders' Mindset add to the understanding of the variations in board experiences. Thus, founders that demonstrate coachability, and receptiveness to advice, as well as susceptibility to value board, would be more open to actively interact with other board directors and their contribution. Whereas founders that do not value their boards and show resistance to coaching and advice, are most likely to be unwilling to engage with their boards over and above what is required. Such behaviour creates cognitive 'blinders' where founders find themselves unwilling to consider the contribution offered by the boards especially if it lies outside their expertise (Eggers and Kaplan, 2013). Since mindset is linked to behaviours and actions, it is also an important concept when it comes to considering company performance (Eggers and Kaplan, 2013).

The literature on entrepreneurship has recently started linking insights about mindset and cognitive processes with the knowledge about organisational system capabilities, such as routines, procedures and practices (Eggers and Kaplan, 2013). Thus, organisational system capabilities are considered to serve as microfoundations of mindset and behaviours (Coriat and Dosi, 1998). In the context of early venture board, the study has found the board plays an important role in shaping these microfoundations by structuring, e.g. introducing routines and processes. This highlights the importance of evaluating the Mindset, as an additional demographic characteristic, so that structuring activities bring in routines and processes that fit the relevant

mindset gaps and needs as well as other types of gaps, which usually include skills and systems. The routines, systems and processes are also important measures when evaluating cognition and mindset, as efforts and attention that CEO offers to dealing with a particular challenge, in the context of the study this would relate to CEO-board relationship, serve as a proxy for measuring their mindset (Ocasio, 1997, Eggers and Kaplan, 2013). The relationship between organisational capabilities and mindsets is characterised by high path dependency (Wirtz, 2011). This means, for example, that the same routines, processes and procedures would be interpreted differently by founders with different mindsets, something that is pertinent to VC Investor Directors and their portfolio approach to investee companies.

The literature notes, that gap in cognition stimulates learning and that mindsets develop over time (Forbes and Milliken, 1999, Wirtz, 2011, Eggers and Kaplan, 2013). This suggests that external directors on early venture boards need to be particularly aware of their role in shaping the mindset and cognitive capabilities of first-time founders.

Wider corporate governance literature has also began recognised the importance of mindsets. Wirtz (2011) suggested that in the context of entrepreneurial firms such as early ventures, boards play “a central role in sustaining high levels of growth through the extensive use of cognitive lever”, meaning cognitive processes developed and evoked to influence decision making (p. 431). Moreover, he asserts that “the cognitive lever should be crucial in achieving and maintaining growth” thus supporting the findings of

this study that *Mindset* is an important demographic characteristic which plays a role in the overall process of *optimising for growth* (Wirtz, 2011, p.436). As such, it adds to the explanation of variation in experiences on early venture boards.

Board Composition

The literature proposes traditional boards are structured with highly experienced and independent directors because they bring legitimacy to firms (Pfeffer and Salancik, 1978). Boards are also advised to have proportionally more non-executive directors who are independent from the management and the outcomes of the firm, thus ensuring effectiveness of judgement (Westphal, 1998). Venture boards are usually dominated by VC Investors and although technically VC Investor Directors are non-executive directors, i.e. they do not work in the firm full time, they are not independent because they usually either represent the shareholders or are direct shareholders themselves (Zhang, Baden-Fuller and Pool, 2011). When attracting non-investor non-executive directors, it is also a common practice to encourage them to invest thus signalling legitimacy and validity of the business model (Everett and Casparie, 2018). The findings of this study are in line with the literature, showing that VC investors engage in balancing early boards by bringing in non-executive directors.

Fit for Purpose Board

The findings showed that the board's purpose during early stages is to provide strategic help as opposed to monitor and control. The degree to which the board is 'fit for purpose' is the outcome of the Evaluating and Structuring stage, the first stage in the process of *optimising for growth*. The concept of *Fit for Purpose Board* has emerged to be shaped by *Board Purpose* and underpinned by board *Mindset Alignment* and the *Quality of Board Processes*.

The literature relating to mindset has been reviewed above in context of an individual mindset of a founder. Mindset, however, pertains not only to individuals, but also to groups (Wirtz, 2011). In the seminal work on the relationship between cognition and corporate governance, Forbes and Milliken (1999) suggested that the board outcome is "entirely cognitive in nature" since boards do not get involved in the implementation of their decisions, only executives of the company do (p.492). Thus, as it also emerged in this study, in order for a board to be effective, or fit for purpose, its collective mindset needs to be aligned. In the context of early ventures, the study showed, boards need to be aligned in such a way, that individually and collectively as a group they focus on providing strategic help to the venture as opposed to monitoring and controlling.

Similar to individual mindset, collective mindset is also path dependent in relation to organisational routines and processes (Wirtz, 2011). Thus, the findings are aligned with the literature in the view that cognitive and structural characteristics are connected and play an important role when it comes to

boards and their function. Boards, however, are particularly susceptible to encounter difficulties from ineffective processes, since they come together only periodically with large intervals (Forbes and Milliken, 1999). Therefore, quality of board processes is very important, as this study discovered, and it has an impact on board effectiveness (Forbes and Milliken, 1999).

Board Roles

The concept of *Board Purpose*, as emerged in this study, is similar to the concept of board role or board function in extant literature. This literature is situated in the traditional corporate governance body of knowledge, and it is quite vast. There are multiple theoretical perspectives of board roles in the literature ranging from the well-established agency, resource-dependence and stewardship theories, to more emerging theory – the behavioural theory of boards (Gabrielson and Huse, 2005).

Thus, Agency theory defines monitoring as the role which makes the board responsible for aligning and monitoring the interests of shareholders and managers using structures and incentives (Jensen and Meckling, 1976, Fama and Jensen, 1983). The main focus of agency theory is, therefore, on board characteristics and their relationship to firm performance (Roberts, McNulty and Stiles, 2005). This relationship is often described as "a set of interrelated elements where a change in one element will affect other elements in the system" (Nicholson and Kiel, 2004, p.5). There is, however, only limited support for the intended effect of the monitoring role of the board on company's performance, and agency is widely criticised for failing to produce a consistent conclusion about the relationship with predictive powers (Leblanc and Gillies, 2003, Dalton et. al., 2007).

In contrast, Resource Dependence Theory identifies a resource provision role, a board role as a source of important resources, arguing that better and faster access to resources maximises performance, minimises risk and dependence on external environment (Pfeffer and Salancik, 1978, Zhang,

Baden-Fuller and Pool, 2011). Examples of such resources include finance (Mizruchi & Stearns, 1988), introductions to external parties (Haunschild & Beckman, 1998), and support to the Chief Executive (Carpenter & Westphal, 2001), among others. The theory, however, assumes that the resource provision is, in fact, valuable to the company, as opposed to potentially being harmful (Katila, Rosenberger and Eisenhardt, 2008). Additionally, it seems to only explain which director characteristics and experiences get priority when boards are formed, without specifying which resource links to which effect in the efforts of maximising the performance (Davis and Cobb, 2009).

Stewardship theory emphasizes the collaborative role of the board and the collaborative nature of the relationships among board directors (Davis, Shoorman and Donaldson, 1997). The theory, assumes involved parties have aligned interests and argues that the CEO acts as a steward, engaging boards into a collaborative relationship in order to make effective strategic choices (Davis, Shoorman and Donaldson, 1997). The main criticism of the stewardship theory is that it does not address how the collaboration among board members actually happen (Wasserman, 2006). Additionally, the theory lacks the ability to explain variations in the outcomes of the collaborative relationship (Garg, 2011).

The emerging Behavioural Theory of Boards views boards as open systems with multiple coalitions of stakeholders possessing varying weight and power and participating in a complex process of strategic decision-making (Huse, 2007, Van Ees, Gabrielsson and Huse, 2009). Thus, boards roles are defined as the strategic decision-making role. The framework recognises that

board members rely on their knowledge, past experience and lessons, which they routinise and apply during decision-making, thus creating environment of learning by doing and experimenting in the boardroom (Huse, 2007). However, the behavioural perspective on board-performance relationship is still emerging and, apart from a few studies, for example by Voordeckers et. al. (2014) examining the relationship between board structures and actual board behaviours in SMEs in Belgium, the Netherlands and Norway, it remains largely untested. Moreover, the theoretical behavioural basis of this framework has been criticised for being nearly impossible to test empirically (Van Ees, Van der Laan and Postma, 2008).

In context of investor-backed ventures the literature and the findings of this study identify two most prominent board roles of *Monitoring* (Garg, 2013) and *Strategic Help* (Graebner and Eisenhardt, 2004).

Thus, monitoring in ventures is defined as “activities of the board and its individual directors that track the significant behaviours of executives, the outcomes of their actions, and the performance of the venture in order to ensure that corrective action is taken as needed” (Garg, 2013, p.90). In his seminal work, Garg (2013) argues that monitoring by venture boards is “distinctive” (p.90) from monitoring activities of corporate boards of public firms. He asserts that such feature of monitoring in ventures arises from high failure rate and unique venture characteristics, such as inherent instability, unstable environment and rapid change, and describes it as more frequent, happening in a variety of ways, i.e. not just through formal board meetings but also via phone calls, personal discussions and visits, and as being aimed

at not only governing, but also strategic and operating activities (Garg, 2013). Significantly, Garg's (2013) work proposed that such distinctiveness of venture board monitoring has and inverted U-relationship with venture performance, meaning the more intense board monitoring leads to negative impact on performance. This was a novel proposition and insight since majority of prior literature on the role of the VC-dominated boards strongly supports monitoring as the dominant role of the board that ensures the interests of all shareholders (Sapienza and Gupta, 1994, Lerner, 1995, Hellmann and Puri, 2002a). Indeed, as Chapter 2 discussed, from formation venture boards are well equipped to behave as a monitoring function since their conduct is subject to legally binding Investment Agreements which often spell out frequency of board meetings and required monthly information.

However, in reality, as Garg (2013, p.92) also found, a venture board often acts as "cooperative syndicate", providing strategic help with a wide variety of challenges. Thus it seems that the most relevant framing of board's role as a source of strategic help, coming from the work by Graebner and Eisenhardt (2004, p.1), defines boards role "as an interdependent peer relationship in which directors and managers contribute unique resources in the pursuit of collective success and in the context of multidimensional motives". Given the high failure rates of startups and their critical lack of resources, this suggests the board's role is to actively contribute to the success.

This study outcome certainly aligned with this view that in the process of *optimising for growth*, early venture board take on a strategic help role and ensure that the collective mindset of directors on the boards is aligned with

that purpose. The misalignment of mindset and the board's purpose, or prioritising monitoring role above strategic help, explains variation in the experiences of early venture boards since monitoring activities typically focus on tracking traditional company indicators and, as such, they are lacking when it comes to influencing the founders' cognitive development and establishing the worth of value add activities of board directors.

Section Summary

This section has positioned concepts within *Evaluating and Structuring Stage* within the extant literature on board attributes, board roles, cognition and mindset. The study's outcome advocate for early venture boards to be structured to perform a strategic help role as opposed to a monitoring role. The study contributed to the extant literature by highlighting that the misalignment of board attributes and board roles explains the difference in experiences on early venture boards. Additionally, the study has introduced a concept of mindset from entrepreneurship and cognition literature as a novel and relevant board attribute. Table 26 summarises the contribution.

Table 26. Contribution to Corporate Governance and Entrepreneurship Literature.

Area of Contribution	Supported	Added	Challenged	New
Corporate governance literature on board attributes and board role	• Supported: **founders' attitude**, unwillingness to reflect and adapt **undermines** their learning capacity (Mintzberg and Westley, 1992). Thus, *Founder Mindset* (*coachability, receptiveness to advice and susceptibility to value board*) emerged as important attribute. • **Board outcome is "cognitive** in nature" (Forbes and Milliken 1999, p.492, Wirtz, 2011) • *Board mindset* is **path dependent** in relation to board processes (Wirtz, 2011). • **Cognitive and structural characteristics are connected** and play an important role (Wirtz, 2011)	• *Mindset* influences founder's interpretations of the environment, shaping the way they respond to challenges (Lant, Milliken and Batra, 1992, Ocasio, 1997, Reger and Palmer, 1996)	• Challenging: *monitoring* is the most important role, on boards of early ventures *strategic help* is more appropriate role. Thus, if boards are structured to monitor, they are *not fit for the purpose* of strategic help.	• *Founder Mindset* is offered as a **novel attribute**. • Novel **founder characteristics** offer better understanding of transformation to CEO. This **transformation is relational in nature** (Uhl-Bien, 2011). It is the outcome of the interrelations of directors on **early venture boards**. • *Founder Mindset* and *Board Mindset Alignment* play important role in the overall process of *Optimising for Growth*. • Misalignment of mindsets and the board's purpose, is a **novel explanation** of variation in the experiences of early venture boards

Source: Table Developed by the Author based on Scott (2007)

5.1.2.3 Behaving Bigger Stage in Extant Literature

The study's outcomes suggest that the second stage of the process of *Optimising for Growth* involves adding value to the company. Based on the emerged set of concepts and the relationships between them, this stage and its activities can be broadly located in the corporate governance literature on value add.

Value Add

The extant literature has established that VC-backed ventures outperform other companies (Brophy and Verga, 1988, Baker and Gompers, 2003). Performance is one of the determinants of a share price, a traditional measure of company's value. (Garg, 2013). Conventionally, company's value is a "function of its expected future cashflows, discounted for risk and time", which in relation to ventures, can be generated "from the realisation of growth opportunities" (Matolcsy, Stokes and Wright, 2004, p.34). In early investor-backed ventures, the value of growth opportunities is highly subjective, it is individual to specific company and is usually indicated by the share price that investors are willing to pay when funding it (Trichkova and Kanaryan, 2015). Achieving a much higher price during investment rounds and then at IPO, is often attributed to "additional value created through intervention by venture capitalists", which goes beyond just providing funding capital (Sapienza, 1992, p.11). Certainly, not all VCs engage in interventional activities over and above monitoring of their capital (Robbie, Wright and Chiplin, 1997). This very much depends on the purpose and internal policies of any individual VC firm. However, where VCs do engage in value added

activities, they do so usually in their position as board directors and observers, and this extant literature can be divided into two streams (Sapienza, 1992).

The first stream of this literature treats VC value add as a black box and attempts to measure VC-linked value add by comparing IPO returns of ventures (Cherin and Hergert, 1988, Brophy and Verga, 1988, Stein and Bygrave, 1990). Essentially, some of these studies confirm the link between VCs, company's comparative increased performance and value at IPO, but they naturally lack detail about any specific activities that give rise to the value. (Sapienza, 1992). Not all studies in this stream confirm the link either. Some argue that meaningful added value is only delivered by top 20 high tech venture capitalists in the world (Stein and Bygrave, 1990, Rosenstein et al, 1993, Hsu, 2004). Others suggest that VCs do not add value even when they try (Manigart et al, 2002, Steier and Greenwood, 1995, Gomez-Mejia, Balkin and Welbourne, 1990). This stream has also been criticised for its inability to separate any added value effects of VCs from the effects by other, non-VC directors (Sapienza, 1992). Despite this and lacking specific details about value add activities, this type of macro-research is highly pertinent to facilitating a greater understanding of role VCs play in ventures transitioning into IPO (Garg and Furr, 2017).

The second stream of this literature recognises that by their nature, value add activities are quite hard to quantify and therefore there is a "limited potential for drawing causal inferences" (Busenitz, Fiet and Moesel, 2004, p.787). Instead, seeking detail and insights, empirical studies in this stream

have conceptualised the value add as a series of activities that are assumed by VC directors and attempted to ascertain the relative importance of these inter-actions by gathering information about their perceived value directly from VCs and Founders (Sapienza, 1992). This study aligns itself with the second stream of literature on value add. Through *Behaving Bigger* stage, the emerged grounded theory offers rich, data-based insights into the value add intervention and its quality, activities, delivery and underlying conditions from VC Investor Director perspective.

The main contribution of this stream of literature is an examination of value add activities, conceptualisation and categorisation of them into several types. Broadly speaking, the literature has identified four types of value add interactions including strategic, operational, networking and interpersonal activities (MacMillan, Kulow and Khoylian, 1989, Sapienza and Timmons, 1989, Sapienza, Manigart and Vermier, 1996). Additionally, this literature has also been concerned with evaluating the activities in order to ascertain their relative importance to each other and to the performance of ventures, with widely mixed results.

Strategic interactions are described as “providing financial and business advice and functioning as a sounding board” (Sapienza, Manigart and Vermeir, 1996, p.339). This covers provision of strategic information, ‘how to’ strategies of competing in the marketplace, and discussions on strategic issues which generate more informed strategic decisions (Barney, 1991, Buzenitz, Fiet and Moesel, 2004). It is generally assumed in the literature that strategic value add activities “would be related positively to

improvements in venture performance" (Buzenitz, Fiet and Moesel, 2004, p. 792). However, empirical results have been quite varied. For example, when surveying VCs across the US and three largest markets in Europe (the UK, the Netherlands and France), the strategic role has been identified as the most important and valuable (Sapienza, Manigart and Vermeir, 1996). Yet, tracking long term effects of VC intervention across a large number of ventures, another study found "the offering of advice and information on strategic issues by VCs did not improve the chances for venture success" (Buzenitz, Fiet and Moesel, 2004, p.788). At the same time, it has been reported that wrong strategic advice provided by VCs could also, in fact, hinder the growth of ventures (Gomez-Mejia, Balkin and Welbourne, 1990, Steier and Greenwood, 1995). Such variation can be explained that strategic type of interaction might "add relatively more value" in specific circumstances, for example, when uncertainty is very high meaning "for ventures in the earliest stages" or, on the opposite side of the spectrum, in later stages, when the venture is performing really well and there are clear opportunities to capitalise on such growth along with operational excellence (Sapienza, Manigart and Vermeir, 1996, p.440).

VC's **operational** value-add interactions are defined as "helping to manage the ventures they invest in" (Buzenitz, Fiet and Moesel, 2004, p.788). The activities here include helping with resolving organisational issues, such as for example, implementing company policies and processes, employee practices or supplier relationships among others. The operational value-add has been identified as the most common type of VC intervention alongside the strategic type of involvement (MacMillan, Kulow and Khoylian, 1989).

However, although VCs consider their operational contribution as important, the view of Founders on this is mixed, as they consider such activities more interventionist and counterproductive than needed (Gomez-Mejia, Balkin and Wlbourne, 1990).

Interpersonal or supportive value-add is defined “as mentor and confidant to CEO” (Sapienza, Manigart and Vermeir, 1996, p.339). Mentoring first time young founders, i.e. supporting, motivating, encouraging, has also been argued as one of the most important contribution of the VCs specifically in early high tech ventures (Wasserman and Boeker, 2005). Since mentoring activities are linked to accelerating founder learning, the literature has also linked mentoring to the improvement of venture performance (Perry, 1988, Fried and Hisrich, 1995). The interpersonal aspects of this type of value-add have also been found as crucial to developing a positive relationship among VCs and Founders (Fried and Hisrich, 1995). This is significant because the VC-Founder relationship is also considered to be an “important antecedent of future performance” (Barney et al., 1996, p.267).

Networking type of value-add relates to providing “contacts to other firms and professionals” including potential partners, customers and suppliers (Sapienza, Manigart and Vermeir, 1996, p.440). Also often referred to as ‘opening doors’, this activity has been found to leads to “useful networking assistance” (Sapienza, Manigart and Vermeir, 1996, p.444). It becomes most valuable when VCs are able to effectively leverage their vast networks and connect the venture to important large customers or influencers, thus

rendering the networking value-add as a relatively important driver of early growth (Colombo and Grilli, 2009, Dutta and Folta, 2016).

In summary, the studies in the second stream of value add literature have built rich data knowledge about VC value-add interactions and their potential. The inconsistency in findings when it comes to measuring the relative worth of the activities and connecting any specific type to the value or performance of the company has been explained by methodological factors since most studies measured value add activities using perception of VCs and Founders of the value they brought. Perception of value is, of course, highly subjective and can be influenced by many factors. For example, this perception can be influenced and biased by a successful or a failed performance of the venture. Other inventive proxies have also been used, for example Sapienza (1992) measured the value add as perceived effectiveness of the involvement weighted by its perceived importance by CEOs and VCs. By the admission of the author, this was also highly subjective and led to conclusion that perception-based measures had proved inadequate when quantifying value add (Sapienza, 1992). Overall, studies provided useful insights but failed to establish any significant correlation between the performance of the venture and the perception of value add (Rosenstein et al., 1993, Barney et al., 1996).

Nonetheless, studies in this stream suggested that the extant knowledge can be usefully expanded by examining the conditional determinants of the value add in order to explain the significant variation in VCs involvement (Sapienza, 1992). After all, the most useful practical contribution of the

literature into value add activities would be to have recognisable and actionable set of determinants or conditions under which venture boards provide high quality value-add. It would also be useful to understand reasons and obstacles in situations where desired value add is not forthcoming. This study offers such analysis through the emergent grounded theory of *Optimising for Growth*. The differences in the dimensions of the emerged set of categories will result in a different set of board dynamic and variations in director interactions.

During the analysis of *Behaving Bigger* stage, VC Director value add emerged to have quite a wide meaning of 'more than just a job spec', as described by a participant:

> *"they come, they also work behind the scenes, they open doors, they help solve issues, they deal with complex stuff and governance. Basically, they add something which is more than just a job spec" (VC6)*

Further, a set of distinct value add activities have emerged: *Opening Doors, Providing Strategic Input, Dealing with Issues, Sounding Board, Focussing on the Bigger Picture* and *Mentoring Founder*. Whilst these activities align with the main value add categories found in the extant literature (MacMillan, Kulow and Khoylian, 1989, Sapienza and Timmons, 1989, Sapienza, Manigart and Vermier, 1996), the analysis has shown that they also align to the distinct challenges faced by the company and founder during this stage.

Thus, venture challenges of *Commercialisation* and *Performance* were addressed by strategic activities *Sounding Board* and *Providing Strategic Input*:

> *"I like to listen to what people are thinking about, are worried about and then talk through the problems" (VC3)*

People Issues were helped by operational type value add of *Dealing with Issues*:

> *"often we are talking about the team, so the board can then help with recruitment" (VC7)*

The inevitable further *Funding* issues were addressed by a networking type activity of *Opening Doors*:

> *"continuing of help to the CEO of the company through the informal requests for help. Like, do you know X, Y, Z at this VC fund because I'd really like to speak to them" (VC7)*

First time founders *Self-Doubt* was supported by interpersonal value add *Mentoring*:

> "*he became a very effective Chief Executive under his watch, under his mentoring. So, he really likes to sort of try and help people achieve their own potential" (VC7)*

Strategic value add activity *Focusing on the Bigger Picture* facilitated relieving Founders' *Tunnel Vision*:

> "*I think a really important function for the board is to help with, you know, raising your eyes to the horizon and you look further out. Because of course you always have got challenges to deal with on a daily basis, but you know, if you are not looking further ahead, you are constantly being surprised by things" (VC5)*

Table 27 summarises the alignment between value add activities and venture challenges as emerged in this study and their typology according to the extant literature.

Table 27. Value Add Activity Link to Venture Challenge

Type of Value Add Activity emerged in this study	Type of Value Add Activity in extant Literature	Corresponding Venture Challenge emerged in this study
		Venture Challenge
Sounding Board	Strategic (Sapienza, Manigart and Vermeir, 1996, Barney et al., 1996)	Performance
Providing Strategic Input	Strategic (Sapienza, Manigart and Vermeir, 1996, Barney et al., 1991)	Commercialisation
Dealing with Issues	Operational (Buzenitz, Fiet and Moesel, 2004, MacMillan, Kulow and Khoylian, 1989)	People Issues
Opening Doors	Networking (Sapienza, Manigart and Vermeir, 1996, Colombo and Grilli, 2009)	Funding
		Founder Challenges
Mentoring	Interpersonal (Sapienza, Manigart and Vermeir, 1996, Fried and Hisrich, 1995)	Self Doubt
Focussing on the Bigger Picture	Strategic (Sapienza, Manigart and Vermeir, 1996, Barney et al., 1996)	Tunnel Vision

Source: Table Developed by the Author, 2020

Overall, in extant literature the value add activities have been found especially important for early stage ventures, first time founders and product-market commercialising strategies (Timmons and Bygrave, 1986, Sapienza and Timmons, 1989, Hellmann and Puri, 2000). The grounded theory *Optimising for Growth* offers a novel insight into the understanding of board-founder interactions by linking specific venture challenges and value add activities emerged in this study. By and large, this insight into the relationship between value add activities and specific needs of the founder and their venture contributes to the understanding the complexity of the VC-Founder interrelations. However, in pursuit of specifying, ranking and quantifying value add, the extant literature admittedly misses out on an opportunity to shed the light on *how* the value add is provided (Sapienza, Manigart and

Vermier, 1996). This study therefore also sheds light on the dimensions of the process, by distinguishing several behaviours such as *Proactive Value* add vs *Not Forthcoming*, being instructive by *Telling What To Do* and *Being a Coach*.

There are several sides to the value add interactions. The extant literature on value add has placed much of its attention on examining the VC Director side as opposed to the Founder's or NED's side (Sapienza, Manigart and Vermier, 1996). Largely this research shows that VC assistance tends to vary from venture to venture (MacMillan, Kulow and Khoylian, 1989). To some degree, his variation is explained by the type of VC firm (Barney et al.,1996). Nevertheless, it has also been recognised that when VCs do engage in meaningful value adding activities, they are likely to make an effort and spend time with the venture in order to "develop a deep understanding" of it (Buzenitz, Fiet and Moesel, 2005, p.272). Such knowledge then allows VCs to better tailor their input to the needs of the venture, thus providing a better value add (Perry, 1988). Similarly, it is also acknowledged in literature that VCs invest in a portfolio of companies and consequently they may lack time that can be devoted to gain the deep understanding of all of them (Gorman and Sahlman, 1989). Therefore, VCs have to be selective with how they spend this time. The variation in VC assistance has also been explained in the extant literature by other conditions, including, among others, company performance, expectations for return and founders experience.

However, while informative, these only give a partial picture of the board-Founder interaction (Barney et al., 1996, Sapienza, Manigart and Vermier,

1996). Findings from this study align with the literature in two ways. First, they too showed that gaining a *Deep Understanding* forms part of VC's proactive helping. They revealed touch-basing, i.e. frequent and regular communication, and avoiding surprises, hearing the bad news while they arise and not waiting until the board meeting, as strategies used by VCs to acquire the necessary knowledge about the venture. Second, they too showed that VCs have a *Portfolio Mindset*, an attitude that is formed as a result of the nature of the VC business where only a few investments bring desired multiple returns. Hence VCs do tend to focus on the winners and cut out the support to others. Thus, the study aligns with the extant literature in providing the understanding of the multi-faceted role of the VC-side of the value add interaction, explaining the reasons for the fluctuation in VC assistance and its quality from venture to venture (Barney et al., 1996).

However, the literature on value add has very little to say about the Founder side of the interaction. Whilst some studies suggest that "unless the entrepreneur is receptive to VC advice, no value added can be achieved through VC involvement" (Sapienza, Manigart and Vermier, 1996, p.444, Barney et al., 1996), there remains an opportunity to explore the Founder-side further and this study offers several insights. Indeed, the study also shows that the profile of Founder's mindset lays the important foundation for the value add interaction. Hence the Founders who are coachable, open to advice and have a positive susceptibility to value board, would be inherently predisposed to seek and receive the value add, as opposed Founders with Mindset characteristics that are not coachable, resisting advice and have a negative susceptibility to value board. Still, it emerged in this study that VCs

themselves hold a much more complex view of the role the Founders play in the value add activities besides the receptiveness of their mindset. It emerged VCs regard it as the responsibility of the Founders to instigate and pro-actively use the board for the value add.

Outcomes of this study also show that as Founders develop from the first time entrepreneur into a fully-fledged CEO, there is noticeable difference in how they seek the value add. Evidently, Founders become much more selective and specific about what they want the VCs or board members to help them with. Having a very precise request comes from the more matured ability of founders to understand the needs of their venture and from their better knowledge of capabilities and networks of their board members. Thus, by providing novel insights into Founder-side of the VC-Founder value add interaction, this study extends the previous work and allows for better understanding of the complex processes of how value is evoked.

The literature acknowledges that most studies look into monitoring board role without sufficiently considering the value add activities that boards are involved in (Shepherd and Zacharakis, 2001). Moreover, there seems to be a “traditional theoretical division” of board role and value add activities and “inherent tension” between the two roles (Roberts, McNulty and Stiles, 2005, p.S5). This means that with a few exceptions such as Sapienza Manigart and Vermier (1996), the extant literature examines VCs value add roles quite independently from their monitoring role. The outcomes of this study suggest that although early venture boards have a strong monitoring authority mandated by investment agreements, they are meant to be structured to

provide strategic help and add value. Monitoring is therefore a default or a background activity of more effective venture boards, whereas providing strategic help is prioritised.

Section Summary

This section has positioned concepts of *Behaving Bigger* stage within the extant corporate governance literature on value add. The outcomes of the study have been deemed as broadly aligned with this literature, however they also contribute by offering several insights into the relationship between value add activities and challenges faced by ventures. Table 28 summarises the contribution.

Table 28. Contribution to Corporate Governance Literature on Value Add

Area of Contribution	Supported	Added	Challenged	New
Corporate governance literature on value add	• Study aligns with the literature in providing the understanding of the multi-faceted role of the VC-side of the value add interaction, explaining the reasons for the fluctuation in VC assistance and its quality from venture to venture (Barney et al., 1996)	• Added to the understanding of value add by offering the **conditional determinants of the value add** in order to explain the significant variation in VCs involvement (Sapienza, 1992 • Added *Founder Mindset* as important **foundation for the value add** interaction • VCs/board expectation that **Founders instigate** and pro-actively use the board for the value add		• Offered novel insight into the understanding of board-founder value add interactions by **linking specific venture challenges and value add activities**. • Showed the novel insights of ***how*** value is added • **Founder Becoming CEO** characteristics offer insight into a difference in seeking value add between new founders and more experienced founders. • This study suggest monitoring is a background activity whereas providing strategic help should be prioritised by boards

Source: Table Developed by the Author based on Scott (2007)

5.2 More Formal Substantive Theory

The previous section has reviewed relevant extant literature, where relevance was determined by the nature of the emerged grounded theory *Optimising for Growth* and its components. As part of this review, the researcher identified areas of convergence, i.e. where this study supported and added to the literature, and areas of divergence, i.e. where the study challenged or added to the literature.

This review located the emerged grounded theory *Optimising for Growth* in the extant body of knowledge, i.e. a multidisciplinary cross-over of corporate governance, corporate finance, entrepreneurship, management cognition and leadership literature.

The purpose of this section is to refine and abstract the substantive theory to a more formal grounded theory. According to GT method, this is done via a theoretical integration, a “process of comparing the substantive theory with other, previously developed, theories” (Glaser and Strauss, 1967, Lehmann and Myers, 2010, p.369). Generating a more formal substantive theory contributes towards enhancement of extant formal theories (Glaser and Strauss, 1967, Eisenhardt, 1988, Urquhart, 2013).

While most investor-backed venture form a board as a result of receiving the first investment, the experiences of directors, founders, NEDs and VC Investor Directors, vary significantly from board to board. The grounded theory method used in this study allowed the development of a set of concepts which suggested that the variation can be explained by the process of *Optimising for Growth*. Specifically, variation is explained by the extent of

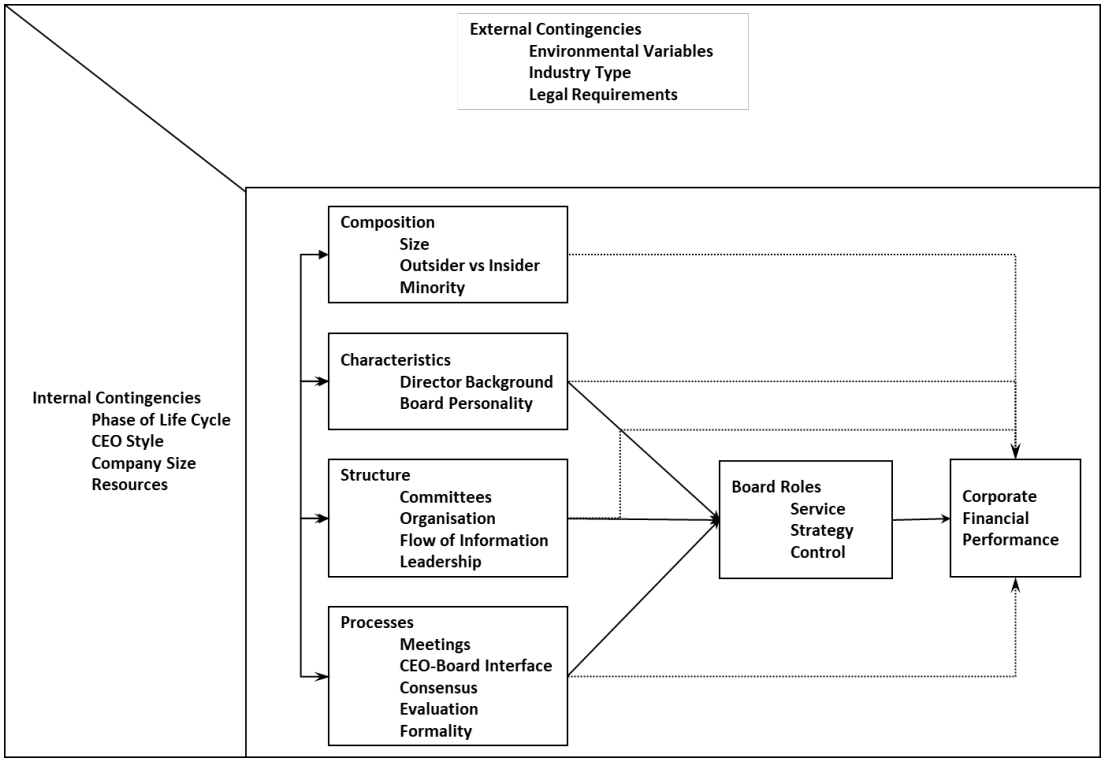
efforts to achieve cognitive and structural alignment among the founder, the board directors and the company, for the purpose of providing strategic help and adding value, as opposed to monitoring.

Whilst this study has yielded a grounded theoretical framework of what happens on early venture boards between receiving a first VC investment and growing to achieve the next investment, it is possible to take a broader view and further abstract the substantive theory using the extant literature review presented in the previous chapter.

One clear finding of the study is that the process of *Optimising for Growth* represents a complex relationship between the venture board and the venture performance, where board is involved in the two-stage process of optimising in order to achieve venture growth, which has emerged as a proxy for traditional measure performance during early stages of company development. In corporate governance literature, this relationship is at the forefront of enquiry, and it is often depicted by integrative theoretical models linking three essential variables: board attributes, such as board composition, director attributes, board norms, board roles, such as monitoring and strategic help, and company performance, such as share price or a proxy of it (Zahra and Pearce, 1989, McNulty, Zattoni and Douglas, 2013).

Based on the review of theoretical perspectives, which were briefly discussed in Chapter 1, Zahra and Pearce (1989) offered an “integrative model that synthesizes past research and specifies relationships between board variables and company performance”, as shown on Figure 12.

Figure 12. Model of Board Attributes and Roles



Source: Zahra and Pearce (1989)

As Zahra and Pearce (1989, p.305) explain:

> *"The Model builds on past research, and, perhaps more importantly, advances specific links among board variables and their influence on company performance…*
>
> *In combination, internal and external contingencies determine the mix of board attributes, and, in turn, a board's performance in its three roles, and ultimately, on company performance".*

Through this model Zahra and Pearce (1989) recognise that the relationship and effect of boards and performance would be significantly different in mature companies, established organisations compared to young startups in in an innovative new market.

In the light of this model and the literature review, the substantive theory of *Optimising for Growth* can be further abstracted and restated in a more formal way, using the three variables depicting board-performance relationship as underpinning, as follows:

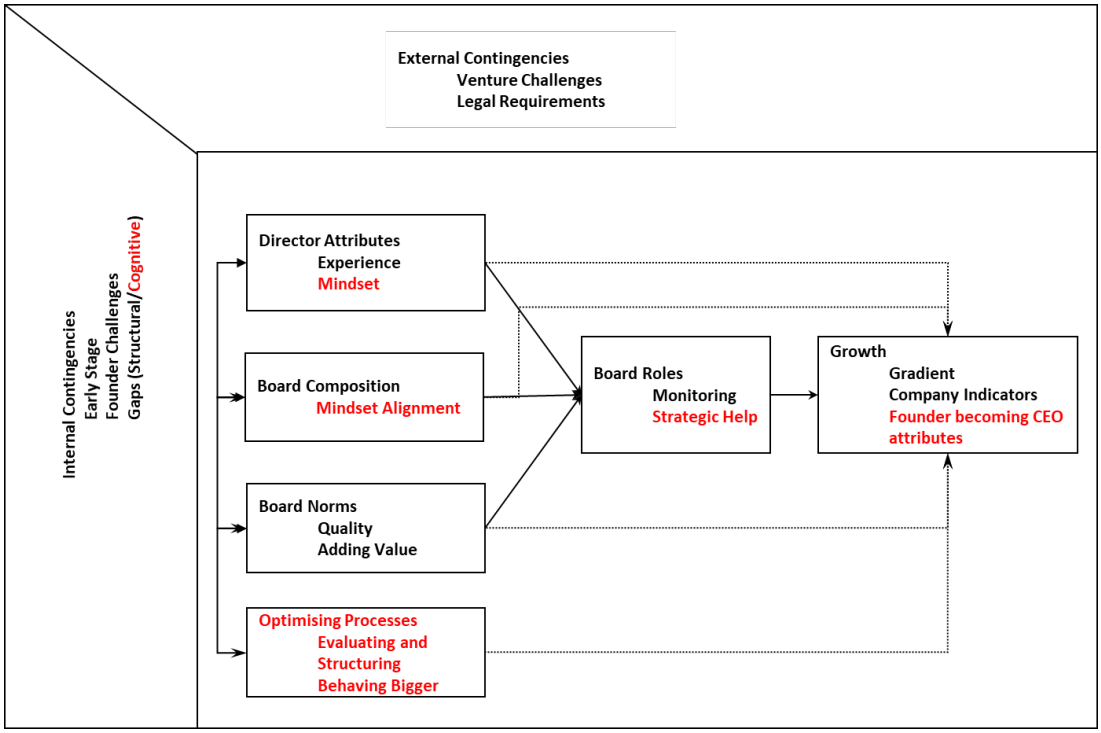
- Board attributes of early venture boards such as board composition, structure, director attributes and board norms, are a result of venture board formation, evaluating and structuring process. This study found two novel board attributes - founder mindset attributes (Mitchell et.al, 2002, Eggers and Kaplan, 2013) and alignment of collective director mindset (Wirtz, 2011); as important characteristics that explain variation in board experiences. The study suggests these novel attributes are just as important to consider as director demographic characteristics and board processes.

- Early venture boards prioritise the board role of strategic help, as opposed to monitoring. The extant literature on corporate governance often argues that the undertaking of the board role is determined by board attributes (Zahra and Pearce, 1989). Thus, boards attributes are considered as antecedents of company performance. However, since this study examined nascent and early board experiences, the outcome suggests that the relationship between the board role and board attributes is more inter-dependent. The study proposed that the degree of board fit for the purpose of providing strategic help shapes its ability to optimise for growth. In other words, in early ventures, board role influences the structuring of board attributes.

- The outcome of the process of optimising is a set of growth characteristics. In the context of early venture, these growth attributes are more relevant measures of company performance as opposed to traditional companies' performance metrics. The study revealed that growth characteristics include not only company growth attributes but also Founder Becoming CEO behavioural attributes, thus providing a novel insight into the nature of performance of early ventures.

Figure 13 illustrates the refined, more formal substantive theory, novel concepts and relationship proposed as an outcome of this study are highlighted in red.

Figure 13. More Formal Substantive Theory



Source: Figure Developed by the Author, 2020, based on Zahra and Pearce (1989)

Boards operate behind closed doors and early venture boards are no different. Some boards are better fit to boost the growth performance of the venture, whilst others are not (Garg, 2013). The refined theory of *Optimising for Growth* provides a fresh take on the relationship between board attributes, board role and company performance. Novel board and performance attributes, originating in other disciplines, have been suggested. The inter-dependent nature of the relationship between board role and board attributes highlighted in this theoretical framework explains variations in experiences on early venture boards.

5.3 Chapter Summary

This chapter has refined the emerged substantive theory of *Optimising for Growth* into a more formal grounded theory. This was achieved by relating and locating the nascent theory and its concepts in the extant body of knowledge. The relevant literature was multi-disciplinary and included corporate governance, corporate finance, entrepreneurship and relational leadership fields of research.

First, the process of *optimising for growth* was located and discussed in relation to the concept of professionalising from the extant corporate finance literature. Since studies on professionalising are mainly concerned with the effects of VCs, this research provided the insight into the process itself, specifically during the early stages of venture development. This research also proposed that the outcome of the process includes not only company performance but also a transformation of first-time founders into fully-fledged CEO.

Second, concepts of emerged *Evaluating and Structuring Stage* were located in corporate governance literature, specifically the literature on board attributes, director characteristics, board composition, and the role of boards. The study revealed a fresh perspective on the link between board roles and board attributes, suggesting this relationship is inter-related and that during early stages the board role shapes board attributes. Additionally, comparing the study's outcomes and the extant literature has allowed to bring in concepts of founder and board collective mindset from entrepreneurship and cognition literature as a novel and relevant board attributes.

Third, activities of *Behaving Bigger Stage* were reviewed in relation to the corporate governance literature on value add. This provided novel insights into the relationship between types of value add activities and challenges faced by founders and their ventures.

Thus, by relating the key categories of the emerged theory (i.e. the process of *Optimising*, *Evaluating and Structuring* and *Behaving Bigger*) with the extant literature has allowed for the integration of the findings with the existing body of knowledge.

The discussion highlighted similarities and differences between the findings of the study and the existing body of knowledge in order to bring deeper and novel insights into the interrelationships on early venture boards and conceptualisation of value add using the experiences of venture directors on boards of UK tech startups. This also revealed the study's contribution, which is discussed in more detail in the concluding chapter.

Finally, this chapter has used the basic variables of integrative theoretical models in corporate governance theorising as underpinning for abstracting the emerged substantive theory, thus arriving at a more formal interpretation of the theory.

The following final chapter of the thesis presents study's conclusions and its contribution to theory and practice, suggesting avenues for further research.

Chapter 6 Conclusions

6.0 Introduction

This doctoral study explored the experiences of directors on boards of the UK early technology ventures backed by venture capital firms. It developed a grounded theory of *Optimising for Growth*, offering an integrative framework to better understand what is happening on boards and to explain variations in these experiences.

This is a concluding chapter of the thesis. First, the chapter reviews the achievement of aims and objectives set out for this study in Chapter 1. Brief summary the main argument is also offered. Second, the chapter specifies the study's contribution to knowledge and professional practice. Third, considerations are given to the study against the evaluative criteria of classic grounded theory method, demonstrating that the developed substantive theory has achieved fit, relevance, workability and modifiability (Glaser, 1998). The chapter culminates with a discussion of limitations and opportunities for further research.

6.1 Review of Aims and Objectives

The aim of this study, as set out in Chapter 1, was two-fold:

1) to understand what happens on early venture boards, and
2) to develop a theoretical framework for the complex relationship between directors' attributes and behaviours, board's role and processes, and venture performance during the critical early stages of development.

The study has achieved this aim and accompanying specific objectives by developing a grounded theory of *Optimising for Growth*, as follows:

- Objective 1: To understand what happens on early boards by allowing for the emergence of the main concern of directors on early venture boards.

  This thesis evidenced how the theory development focused on the main concern of directors on early venture boards. Thus, the main concern of *Growth* was allowed for the emerge, and, as depicted in *Table 16. Main Concern Category - Growth,* it was defined by participants in terms of *Growth Curve Gradient* (Rate of Growth, Speed and Volatility), *Company Indicators* (Investment Round, Company Size) and *Becoming CEO Indicators*.

- Objective 2. To learn how directors go about resolving their main concern, thus discovering the core category.

  The recognition of the ultimate concern of directors as a very specific type of *Growth* (i.e. high rate, high speed) provided a basis for the

understanding how this concern was being resolved, i.e. the core category of *Optimising*, fulfilling objective 2. *Optimising* was developed as a complex two stage process.

- Objective 3. Based on the emerged concepts and the relationships between them, to develop a substantive theory explaining how directors are resolving their main concern.

  The substantive theory of *Optimising for Growth* was developed as a set of relationships between 6 concepts, which emerged from data: *Growth, Stage 1 Evaluating and Structuring Stage, Stage 2 Behaving Bigger Stage, Degree of Fit for Purpose Board, Venture Challenges and Gaps*, as illustrated in *Figure 10. Emergent Substantive Theory of Optimising for Growth* and Section *4.5 Summary of the Emergent Theory of Optimising for Growth*.

  Thus, in order to resolve the main concern of achieving *Growth*, directors are involved in a complex two-stage process of *Optimising* the board's role, company processes, directors' adding value behaviours and founder's director attributes, depending on the identified structural and cognitive gaps and unique challenges facing the early venture.

- Objective 4. To clarify how the emerged theory explains variations in experiences of directors on early venture boards.

  Optimising process emerged to contain a set of structural and cognitive concepts relating to director attributes, board role and director adding value activities. These concepts emerged with sub-properties and

dimensions capturing variations. For example, *Founder Mindset's* property of *Coachability* had dimensions of *Coachable/Not Coachable*. Variation in *Board Mindset Alignment* was captured by dimensions *Aligned/Misaligned*. Another example, the variation in *Quality of Information* was captured by dimensions *High/Low*. Altogether, these dimensions captured variations in structural and cognitive concepts relating to director attributes, board role and director adding value activities. This enabled the theory of *Optimising for Growth* to explain variations in experiences of directors on early venture boards, thus achieving objective 4. For example, it emerged that the variation in value adding activities depended on the degree the board was fit for purpose. Factors such as board's role and whether the board is indeed fit for that role, the alignment of directors' collective mindset, or the quality board meetings, among other identified categories, contribute to the variations in experience.

- Objective 5. To contribute to the knowledge base and the director practice in the context of early venture boards.

  The substantive theory of *Optimising for Growth* was integrated with the extant literature, identifying points of convergence and divergence. These have been captured as contributions to the knowledge (Section 6.3 below), and their implications, as contributions to the professional practice of directors on boards of early venture boards (Section 6.4 belwo), thus achieving objective 5.

6.2 Summary of the Thesis Argument

This study has argued that on early venture boards directors are involved in a complex process of *Optimising* in order to resolve their main concern of achieving exponential *Growth*. Classic grounded theory method has been employed to explore experiences of directors on early venture boards in the UK. A substantive theory of *Optimising for Growth* has been developed. The theory provided a deeper understanding of what happens on early venture boards by uncovering the process of optimising as the first step in the boards' longer-term efforts to professionalise the startup into a company able of delivering investors' exit via IPO. Having captured variations and the relationship between director attributes, board roles, board processes, value adding and company performance, the theory of *Optimising for Growth* also explained the differences in director experiences on early venture boards. The findings suggest the key difference arises when the early venture boards are fit for the purpose of monitoring as opposed to providing strategic help.

Moreover, the substantive theory has also been developed as a more formal integrative theoretical framework of the relationship between director attributes, board roles, board processes and company performance in context of early venture boards. New director and board cognitive attributes, such as *Founder Mindset* and *Board Mindset Alignment*, offer fresh insights into the relationship since they have not yet been considered as part of the director and board attributes by the current corporate governance literature. Emergence of those attributes is important because they capture that

director and board attributes are inter-changeable in their nature and over time.

The structure of the argument of the thesis is summarised as follows:

Chapter 1 explained that the motivation for this study came from the personal professional experience of the author as investor-observer on early venture boards. It discussed the importance to improve the understanding of what happens on early venture boards since early boards shape the growth and the future of ventures. The chapter set the aims and objectives for the study, as well as the rationale in the context to the wider literature on corporate governance.

Chapter 2 provided further background and critically discussed the distinct context that early venture boards operate in. Thus, it was established that early venture boards differ from traditional corporation in ways they are formed and composed, their directors have to deal with a unique set of conflicts since there is a lack of separation of ownership and control, and they operate in under conditions of extreme uncertainty, fast changing environments and unstable business models where traditional measures of performance are useless (Garg, 2013). By discussing these issues, the chapter offered a contextual foundation for the study.

Chapter 3 positioned the study as a grounded theory investigation carried out from interpretivist philosophical perspective. The chapter offered a rationale for employing classic, or Glaser, grounded theory approach to data collection, analysis and theory building. Based on the review of ethical considerations and the board access issues, the investigation was designed

as a pilot and a main study. Having considered the results of the pilot, which found little access problems and established VC perspective as the most rational starting point for the main data collection, the chapter culminated with a summary of approach to the main data collection.

Chapter 4 developed the substantive theory of *Optimising for Growth* from data using grounded theory's approach to analysing, namely open coding, selective coding and theoretical sampling, and theoretical coding. The chapter showcased how these coding procedures were implemented. Thus, open coding stage identified the main concern and how it is being resolved, i.e. the core category, culminating with a set of open codes generated in the process. Coding continued selectively only for codes relating to the core category. Selective coding stage developed open codes further into selective codes. Theoretical sampling was used to collect to ensure completeness of the selective codes. Selective codes were then advanced further into theoretical codes, culminating in a set of theoretical codes representing relationships and thus depicting the substantive theory of *Optimising for Growth*. The emerged theory was interpreted as a complex process taking place over two stages involved a transformation of the early venture's board, structures, processes, director and board attributes to meet growth attributes as a pre-curser of the new investment round. Essentially, chapter4 presented the findings of this study – the emerged from data concepts and the interpretation of the relationships between then as a substantive theory of *Optimising for Growth*.

Chapter 5 refined the emerged theory by comparing it to the extant literature. The theory was located across several disciplines, including corporate governance, corporate finance, entrepreneurship and relational leadership. This review enabled a more abstract interpretation of the theory and its refinement into a more formal substantive theory integrating director attributes, board roles, value adding processes and company performance.

The current chapter, Chapter 6, reflects on the study's aims and objectives. It offers contributions to knowledge and practice. Here, the developed theory is also considered against the classic grounded theory's own evaluative framework. The chapter concludes with an acknowledgement of the limitations of the study and proposes opportunities for further research.

6.3 Contribution to Knowledge

The development of a substantive grounded theory of *Optimising for Growth* has been evidenced in this thesis. Based on the findings in Chapter 5, the following four contributions are offered:

- Contribution 1 – Optimising for Growth as Integrative Model
- Contribution 2 – Optimising for Growth as the First Stage of Professionalising
- Contribution 3 – Novel Board Attributes and Their Fit with Board's Role
- Contribution 4 – Linking Value Add and Venture Challenges

These contributions are first summarised in Table 29 and then individually discussed. The table presents the contributions as a useful evaluation against the existing literature, identifying specific areas that the findings supported, added to, challenged or offered as a new insight, as initially outlined in the previous chapter, Chapter 5 (Scott, 2007):

Table 29. Summary of the Contribution to Knowledge

Area of Contribution	Supported	Added	Challenged	New
Contribution 1 – Optimising for Growth as Integrative Model Contribution to corporate governance literature				• Substantive theory of Optimising for Growth offers **novel insight** into the relationship between director attributes, board roles, board processes and company performance in context of early venture boards

Area of Contribution	Supported	Added	Challenged	New
Contribution 2 – Optimising for Growth as the first stage of professionalising Contribution to corporate finance literature on professionalising of startup firms backed by VCs	• Early ventures are under pressure to **professionalise as early as possible** (Jones, 2017), conceptualised in this study as *Behaving Bigger* stage • In early ventures HR base is professionalised by **introducing experienced NED**s to boards (Filatotchev and Wright, 2005)	• Unlike professionalising where VC's **main concern is exit** (Bonnet, Wirtz and Seville, 2013), during early stages of investment and when optimising, VC directors' main concern is growth since without it, the startup and the investment simply fails to reach the next stage	• This study **challenges** that founder replacement is as a matte of 'when' as opposed to 'if' (Hellmann and Puri, 2002a). Because during the early stages, founders are indistinguishable from the venture Study **offers founder Becoming CEO attributes,** used by VCs to judge if founder get replaced (this is also a contribution to practice) • Since founders are eventually replaced, it might be counter-productive for VCs to invest in founder development This study challenges this and offers *Optimising for Growth* as framework for the effective VC-Founder-Board relationship	• Professionalising is a 'black box', (Hellmann and Puri, 2002a) *Optimising* is offered as the first stage of professionalising process, linking it to stages in investment rounds and in company development lifecycle • Extant literature equated boards with VCs, this study offers boards to have an important role in the optimising and professionalising process • The process of *Optimising for Growth* is a relational process (Uhl-Bien, 2011). Company growth is not the only outcome of this process but *Founder Becoming CEO* is its additional, more novel, outcome

Area of Contribution	Supported	Added	Challenged	New
Contribution 3 – Novel Board Attributes and Their Fit with Board's Role Contribution to corporate governance literature on board attributes and board role	• **Founders' attitude**, unwillingness to reflect and adapt **undermines** their learning capacity (Mintzberg and Westley, 1992). • **Board outcome is "cognitive** in nature" (Forbes and Milliken 1999, p.492, Wirtz, 2011) • *Board mindset* is **path dependent** in relation to board processes (Wirtz, 2011). • **Cognitive and structural characteristics are connected** and play an important role (Wirtz, 2011)	• *Mindset* influences founder's interpretations of the environment, shaping the way they respond to challenges (Lant, Milliken and Batra, 1992, Ocasio, 1997, Reger and Palmer, 1996)	• Challenged: *monitoring* is the most important role, on boards of early ventures. Providing *Strategic Help* is a more appropriate role for this stage and for achieving growth Thus, if boards are structured to monitor, they are *not fit for the purpose* of strategic help, and are not able to meaningfully add value to get the startup to growth and the next investment round	• *Founder Mindset* emerged as important and **novel** director attribute. *Founder Mindset* and *Board Mindset Alignment* play important role in the overall process of *Optimising for Growth* - Misalignment of mindsets and the board's purpose, is a **novel explanation** of variation in the experiences of early venture boards • Novel **attribute Founder Becoming CEO** offers better understanding of the change from Founder to CEO. This **transformation is relational in nature** (Uhl-Bien, 2011). It is the outcome of the interrelations of directors through the process of *Optimising*.

Area of Contribution	Supported	Added	Challenged	New
Contribution 4 – Linking Value Add and Venture Challenges Contribution to corporate governance literature on value add	• Literature on the role of the VC-side of the value add interaction, explaining the reasons for the fluctuation in VC assistance and its quality from venture to venture (Barney et al., 1996)	• Added to the understanding of value add by offering the **conditional determinants of the value add** in order to explain the significant variation in VCs involvement (Sapienza, 1992) • Added *Founder Mindset* as important **foundation for the value add** interaction • VCs/board expectation that **Founders instigate** and pro-actively use the board for the value add		• Offered novel insight into the understanding of board-founder value add interactions by **linking specific venture challenges and value add activities**. • Showed the novel insights of ***how*** value is added • **Founder Becoming CEO** attributes offer insight into a difference in seeking value add between new founders and more experienced founders. • This study suggest monitoring is a background activity whereas providing strategic help should be prioritised by boards

Source: Table Developed by the Author based on Scott (2007)

6.3.1 Contribution 1 – Optimising for Growth as Integrative Model

The study's main contribution to knowledge is the substantive theory of *Optimising for Growth* as a theoretical framework for understanding early venture boards and uncovering the explanatory factors behind the variations in the board experiences. Whilst there has been some work on the inner workings of venture boards, there is lack of understanding of boards during the critical early stages of the venture's development lifecycle. This study contributes to this gap.

In its more formal way, the theory of *Optimising for Growth* extends Zahra and Pearce (1989) integrative theoretical framework of interrelations among board variables and their influence on company performance to the context of early venture boards.

6.3.2 Contribution 2 – Optimising For Growth as the First Stage of Professionalising

The study's second contribution is to the corporate finance literature on professionalising investor-backed startups. Such startups are under pressure from their investors to professionalise as early as possible due to a limited timeframe available for investor exit (Jones, 2017). Since professionalising in the extant literature is mainly concerned with causes and effects, *Optimising for Growth* is offered as an insight into the professionalising process. Thus, the study suggests the process of professionalising is distinctly linked to stages in investment rounds and in

company development lifecycle and suggests *Optimising for Growth* is relevant to the first early stage post first investment.

Whilst during the professionalising process the literature identifies exit as VC's main concern (Bonnet, Wirtz and Seville, 2013), this study offers an additional insight. This study discovered that during early stages of investment, the main concern of VC directors is growth, since without it, the startup and the investment simply fails to reach the next stage, where exit becomes possible.

This study challenges the assertion in the extant literature that founder replacement is as a matter of 'when' as opposed to 'if' (Hellmann and Puri, 2002a). Findings show during the early stages, founders are indistinguishable from the venture. The study offers novel founder Becoming CEO attributes shedding light on what investors are looking for when considering whether founder are capable of leading the company through to the next stage of development. Additionally, recent trends show that in private venture-backed companies reaching a status of unicorns, i.e. achieving valuations of at least $1bn, founders actually retain majority control as opposed to investors (Harrison and Mason, 2019, Pollman, 2019).

Furthermore, whilst extant literature acknowledges professionalising includes introducing experienced NEDs to boards (Filatotchev and Wright, 2005), it prioritises the role of investors, thus neglecting boards or not distinguishing between investors and boards. This study finds boards

to have an important role of providing *Strategic Help* in the efforts of optimising.

It was also shown that the process of *Optimising for Growth* is a relational process (Uhl-Bien, 2011). And it is offered as framework for the effective VC-Founder-Board relationship.

Chapter 1 brought into a sharp focus the need for a better understanding of what happens on early and even nascent venture boards in order to have a more informed view of their micro-foundational role in company's growth and governance. By uncovering concepts and relationships that account for variations in experiences of startup board directors, the developed theory of *Optimising for Growth*, thus, contributed to this agenda.

6.3.3 Contribution 3 – Novel Board Attributes and Their Fit with Board's Role

The third contribution of this study is to the corporate governance literature on board attributes and roles. *Founder Mindset* is offered as a novel attribute of founder-director (Wirtz, 2011). Originating in the psychology literature and being developed in the entrepreneurship literature, this is an important crossover into the corporate governance literature. Findings support early corporate governance research suggesting mindset influences founder's interpretations of the environment, shaping the way they respond to challenges (Lant, Milliken and Batra, 1992, Ocasio, 1997, Reger and Palmer, 1996, Forbes and

Milliken, 1999). This study offers *Founder Mindset* defined by *Coachability*, *Receptiveness to advice* and *Susceptibility to value board* as important novel director attribute, showing that: founders' attitude, unwillingness to reflect and adapt undermines their learning capacity (Mintzberg and Westley, 1992).

Collective Board Mindset Alignment also emerged to play an important role in the overall process of *Optimising for Growth*. This shows early boards' outcome is "cognitive in nature" (Forbes and Milliken 1999, p.492, Wirtz, 2011). However, board mindset is path dependent in relation to board processes (Wirtz, 2011).

This study challenged whether monitoring is the most important role of the board during the early stages, suggesting that strategic help is a more appropriate role. Thus, if boards are structured to monitor, they are not fit for the purpose of strategic help.

Misalignment of mindsets and the board's purpose is a novel explanation of variation in the experiences of early venture boards. Cognitive and structural characteristics are inter-connected and play an important role (Wirtz, 2011)

6.3.4 Contribution 4 – Linking Value Add and Venture Challenges

The fourth contribution of this study is to the corporate governance literature on value add. Whilst the study aligns with the literature on the multi-faceted role of the VC-side of the value add interaction (Barney et al., 1996), it adds to the understanding by offering the conditional determinants of the value add in order to explain the significant variation in VCs involvement (Sapienza, 1992). Additionally, novel insight is proposed into the link between value add and specific challenges that ventures face during the early stages.

6.4 Contribution to Practice

The research explored the perspective of VC Investor Directors and contextualises it by examining more widely the experiences of Founder Directors and independent Non-Executive Directors. The study has opened up the black box of boards, uncovering the link between director attributes, board role and value add in the relentless pursuit of venture's growth. It is important to consider the implications of the above-mentioned contributions to knowledge to the professional practice of directors on early venture boards.

6.4.1 Contribution 5 – Optimising for Growth as a Diagnostic Tool

The study's integrative framework can be used by directors, especially founders, on early boards to diagnose and better understand how to build and develop a strong and effective relationship with their boards to be cognitively aligned and structurally enabled.

For example, founders can reflect on the mindset attributes and consider their internal capabilities as a coachable individual, accepting or resisting advice and their susceptibility to value boards.

At the same time, directors can evaluate whether the collective mindset of the board is aligned to provide strategic help as opposed to monitor and whether their board processes effectively support the implementation of that role.

The study confirmed the relationship between board attributes and board roles but opened up a fresh way of thinking about the role of early venture boards. The traditional thinking places an emphasis on board attributes as antecedents of board role and, as consequence, firm's performance. This study's findings suggest that in order to be effective in the process of optimising, venture boards must be fit for purpose of providing strategic help, as opposed to a more traditional role of monitoring. The specific practical implication of this is the necessity to structure and compose the board in such a way so it is fit for that purpose of providing strategic help. This is where the novel concept of alignment of mindsets and mindset attributes is particularly useful in evaluating the gaps in the directors' understanding of the board's role and their attitude and willingness to engage.

The findings also give founders a perspective of behavioural attributes of an emerging CEO, as evaluated by investors at point of the next investment round. This is a very important insight for first time founders as, statistically, most of them get replaced by professional CEOs pre-IPO (Hellman and Puri, 2002a).

Prior to making an investment, VCs engage in due diligence, evaluating technology, business and the team among other factors, against their criteria for investment. Incorporating the evaluation of founder mindset attributes, could indicate founder cognitive development needs. In turn, this could be used to influence the recruitment of independent NEDs to join the board, so that their skills and experience could contribute not only

to the development of the business but also to the development of founder.

This study also informs VCs director practice to pay attention to the board role when composing boards and bringing in external NEDs, since during the critical early stages the board needs to focus on providing strategic help as opposed to just monitoring.

6.5 Evaluating Theory of Optimising for Growth

This study used classic grounded theory for data collection and analysis. This research approach comes with its own evaluative framework, as developed by Glaser (1967, 1978, 1998). Glaser (1998, p.16-17) contended that a grounded theory "does not have to be legitimised", and that "the proof is in the outcome". This is because "grounded theories have 'grab' and they are interesting" (Glaser, 1978, p. 4). By 'grab', Glaser means the theory has a "significant explanatory power" of what is happening in the substantive area of investigation (Schreiber, 2001, p.74). Thus, he suggests the researchers evaluate their developed grounded theories using the four criteria: fit, relevance, workability and modifiability, which have been introduced in Chapter 3. This is done by asking the following questions (Glaser, 1998, p.17):

> *"Does the theory fit the substantive area?"*
>
> *"Does it have relevance to the people in the substantive field?"*
>
> *"Does the theory work to explain relevant behaviour in the substantive are of research?"*
>
> *"Is it readily modifiable as new data emerge?"*

These criteria for evaluating a grounded theory "are based on achieving skill at each stage of the grounded theory package" (Glaser, 1998, p.17). This section evaluates the emerged Theory of Optimising for Growth against the four criteria, thus demonstrating due diligence and commitment to the tenets of the classic grounded theory approach throughout the research process.

6.5.1 Fit

“Fit is another word for validity” (Glaser, 1998, p.18). It means “that the categories of the theory must fit the data” (Glaser, 1978, p.4). Practically, it is about ensuring that the names for codes and categories derive directly from the data, as opposed to pre-existing concepts from extant literature or pre-conceived names from the researcher’s previous knowledge.

Chapter 4 demonstrated how Fit was attained. First, raw data incidents were grouped together using constant comparison technique. These groups of data were given in-vivo names where possible. This is evidenced in in *Section 4.3* by illustrating how initial codes were generated from the interview excerpt. The further development of initial open codes based on new raw data is evidenced in

These examples of raw data incident groupings and their subsequent development demonstrated a close connection between the concepts and the data, showing due diligence through the research project to derive the theory from data, as opposed to concepts being pre-conceived and influenced by prior knowledge or literature.

During the initial stages of the coding, the fit between the data and codes is more obvious than during the later stages. This is because the researcher amasses a huge amount of codes and categories and their naming does not stay static. Glaser (1978, p.4) notes: “categories emerge so fast, it is important to constantly refit them to the data as the research

proceeds", highlighting that "categories are not precious… the analyst should readily modify them as successive data may demand". The transformation of early open codes into final codes is demonstrated in *Table 11. List of Early Open Categories, Table 12. Initial Set of Selective Codes and Table 15. Evolution and Abstraction of Selective Codes,* whereas *Table 10. Emerging Themes of Open Codes* shows an early grouping of codes into themes, which subsequently been refitted.

The criterion of Fit assesses whether developed concepts have adequately expressed the patterns of data incidents and it has been demonstrated above and throughout examples in Chapter 4, how fit has been achieved in this study.

6.5.2 Relevance

The theory's relevance is demonstrated by the extent it focuses on the main concern of participants and their core resolution of it. Thus, by focusing on the participants' concern, the relevance criteria "makes the research important" to the professional practice (Glaser, 1998, p.18)

Chapter 4 demonstrated the search for the main concern. Memo provided in *Figure 4. Memo Discovering the Main Concern of Participants* , showed reflections and analysis of several codes as candidates for the main concern. It was demonstrated how a concept of *Growth* has emerged as the main concern of participants, because it served as a determinant of ability of the company to raise further funding thus moving to the next stage of venture development, or fail.

In line with grounded theory, identifying the main concern signalled moving to selective coding stage and theoretical sampling, thus focusing on the development of codes and categories relating to the main concern and its resolution, as it was demonstrated in Chapter 4. *Optimising* was identified as core category, a category representing how participants resolved their main concern of venture *Growth*. It was illustrated through *Section 4.3* how identified core category "is a central integrative scheme" bringing together all other categories and accounting for all that was happening in data (Glaser and Kaplan, 1996, p.111, Glaser, 1978).

The criterion of relevance was further demonstrated as the subsequent analysis focused only on concepts relevant to the main concern and the process for its resolution. Therefore, the resulting theory of *Optimising for Growth* is relevant to the "action in the area" (Lomborg and Kirkevold, 2003, p.191). Expanding interviews from VC Investor Directors and sampling from other types of participants including Founders and NEDs, further made the theory relevant to "the people in the substantive field" (Glaser, 1998, p.17)

The demonstration of how the theory explains what was happening in the substantive area was presented in Chapter 5.

6.5.3 Workability

Grounded theory is workable, if it "able to explain… and interpret what is happening in an area of substantive enquiry" (Glaser, 1978, p.4). This is achieved when the core category accounts for much of the variation in data and demonstrates the resolution of the main concern with as fewer categories as possible.

The developed core category *Optimising* is a process-type category, a type which is noted for explaining "a considerable portion of the action in the area" (Glaser, 1978, p.5). Chapter 4 demonstrated due diligence and evidence how Optimising emerged as a very complex, two stage process consisting of *Evaluating and Structuring Stage* and *Behaving Bigger Stage*. Categories within each stage have largely emerged several dimensions, which meant that altogether Optimising accounted for much of the variation in data (Glaser, 1978). *Section 4.4* demonstrated that they theory of *Optimising for Growth* was interpreted in as few as 5 categories: of *Gaps, Evaluating and Structuring, Behaving Bigger, Fit for Purpose Board, and Venture Challenges*. Thus, *Optimising for Growth* explained the inner workings of the early venture boards, sufficiently accounting for variations in patterns of data incidents. For example, the developed board attributes, board roles and value add behaviours, each consisting of insightful dimensions that helped explain the differences in the director engagement in the process of *Optimising*. This leads to conclude that the study has met the criterion of workability.

6.5.4 Modifiability

According to Glaser (1998, p.19), modifiability is a “very significant” criterion because it shows the capacity of the substantive theory to be “modified by new data”. Glaser (1978, p.6) writes: the “generative nature always takes it beyond the substantive theory being studied.” Chapter 4 showed evidence how categories were connected and related, demonstrating that this process had several changes, varying codes as the new data emerged, thus achieving modifiability. It was noted on several occasions that there were multiple ways to group emerging concepts together, at the end the groupings reflected their relationship to the core category of optimising.

“A substantive theory invariably has formal theory or general implications” Glaser (1978, p.6). Thus, this study of optimising board processes and director characteristics of early stage ventures, naturally leads to a more formal theory of optimising board role in other company contexts, as demonstrated in *Section 5.4*.

The theory’s modifiability is a “significant” outcome, because it corroborates the ability of the theory to reflect the dynamic nature of social reality (Glaser, 1998, p.18, Lomborg and Kirkevold, 2003). This section demonstrated how the theory of *Optimising for Growth* achieved this criterion.

In summary, Chapter 3 has introduced the criteria, summarising it in *Table 2 Linking Evaluative Criteria and Research Stages* and showing

how it should be evidenced and demonstrated during the research process. Table 30 below extends Table 2, by adding the summary of the evidence of meeting the criteria and carrying out due diligence throughout the research process.

Table 30. Evidencing Evaluation Criteria

Criteria	Demonstration as part of Research Process	Link to Data Analysis and Coding Stages	How Criteria has been Evidenced in this Study
Fit *"Does the theory fit the substantive area?"* (Glaser, 1998, p.17)	• Demonstrate how codes and categories emerge from collected data, not literature or previous knowledge • Use of constant comparison and memoing • Fit is achieved gradually - use of three coding techniques of open coding, selective coding theoretical coding	Open coding stage (chapter 4, section 4.2) Selective coding stage (chapter 4, section 4.3) Theoretical coding stage (chapter 4, section 4.4)	Emergence of codes evidenced by examples in Table 7.Open Coding. Illustration of Initial Generation of Codes Table 8. Illustration of Developing Open Categories and Properties. Figure 3. Illustration of Initial Memo and its Development Table 11. List of Open Categories As well as Tables 15-25
Relevance *"Does it have relevance to the people in the substantive field?"* (Glaser, 1998, p.17)	• Demonstrate the process of determining the main concern of participants, detail its emergence • Demonstrate how the theory explains what is happening in the substantive area	Open coding stage (chapter 4, section 4.2) demonstrates the process of emerging of the main concern. Theoretical coding (chapter 4, section 4.4) demonstrates how the theory of Optimising for Growth explains what is happening in the substantive area. Chapter 5 adds to the explanation.	Figure 4. Memo Discovering the Main Concern of Participants Table 9. Emerging Main Concern Table 16. Main Concern Category – Growth Chapter 5

Criteria	Demonstration as part of Research Process	Link to Data Analysis and Coding Stages	How Criteria has been Evidenced in this Study
Workability *"Does the theory work to explain relevant behaviour in the substantive are of research?"* (Glaser, 1998, p.17)	• Demonstrate the resolution of the main concern with as fewer categories as possible • Demonstrate how core category accounts for much of the variations in patterns of data • Demonstration the abstraction of categories	Selective coding (Chapter 4, section 4.3) shows the resolution of the main concern using 5 categories. Appendix 5 From Data to Concepts illustrates variation captured within categories Chapter 5 section 5.4 further abstracts the theory in light of the integration with the extant literature.	Tables 27-31 demonstrate the 5 categories and variations within each. Figure 10. Emergent Substantive Theory of Optimising for Growth demonstrates how core category accounts for others Figure 13. More Formal Substantive Theory - demonstrates abstraction Abstraction of categories also in Table 15. Evolution and Abstraction of Selective Codes
Modifiability *"Is it readily modifiable as new data emerge?"* (Glaser, 1998, p.17)	• Demonstrate capacity for being altered if and when new relevant data is sought • Demonstrate how study can be extended into other contexts or, if necessary, used to move from a substantive theory to a more formal theory	Codes and categories are modifiable throughout all three coding stages, open, selective and theoretical, as the new data emerged (Chapter 4). 6.7 Opportunities for Future Research discusses how the theory is likely to apply to board contexts other than ventures	Modifiability is evidenced in Table 11. List of Open Categories Table 10. Emerging Themes of Open Codes Table 12. Initial Set of Selective Codes Table 14. Additional Selective Codes Section 6.7 Opportunities for Further Research discussed how the theory is likely to apply to board contexts other than ventures

Source: Table Developed by the Author based on Glaser (1998)

The evaluation of the grounded theory of *Optimising for Growth* demonstrated that it has met the four criteria of the Glaser's evaluative framework (1998).

6.6 Limitations

Previous sections argued this research has met its aims to offer a better understanding and a theoretical framework of what happens on early venture boards. Whilst this study has offered several contributions to knowledge and practice, it is just as important to clarify its limitations. As with many studies, these limitations help shape further research opportunities as discussed in the next section.

First, the understanding and the theoretical framework have emerged directly from data, using classic grounded theory method for data collection and analysis (Glaser, 1978). Consequently, the research and its conclusions remain provisional since testing them was not in the scope of the study.

Second, whilst the research unveiled several novel concepts, such as *Founder Mindset* and *Board Mindset Alignment*, these were only explored in the context of early venture boards. There is an intriguing possibility to investigate whether these novel concepts offered in this study, have a role in a more traditional corporate board environment.

Third, the theoretical framework is unlikely to apply to other organisational contexts which are not experiencing similar internal and external challenges characterised by uncertainty of survival, rapid changes in the business, potentially huge misalignment of interests among directors and relatively inexperienced CEO (Garg and Eisenhardt, 2017). However, whilst the context of board inner-working in other types of companies may be not be as volatile as in startups, the current political and trade climate

have created conditions of extreme uncertainty of survival, forcing many CEOs and boards rethink and experiment with their business models (De Ville and Siles-Brugge, 2019). The non-profit charity sector in the UK is a good example of a type of organisation finding itself in such situation. Next section offers a research opportunity to extend the process of *Optimising* as a framework for the transformation process which organisations, their boards and CEOs can use in order to make sense of their experiences.

Fourth, during the integration of the substantive theory in the extant body of knowledge, it emerged that the process of *Optimising* takes place as part of professionalising efforts to get the venture to IPO. During this journey ventures get multiple investments and grow in size and turnover (Hellman and Puri, 2002a). New investors get board seats, and data indicated that they begin re-evaluating structural and cognitive gaps, effectively re-starting stage 1 of the *Optimising* process. However, since this was no longer a nascent board and no longer an early stage venture, these experiences were used to define the boundary of the process the process of *Optimising*, but were not explored further.

Altogether, these four limitations are framed as research opportunities in the next section.

6.7 Opportunities for Future Research

The discussed above contributions and limitations of this study have also shaped several opportunities for future research. Specifically, four opportunities emerged as potential avenue for further investigation.

First, there is an opportunity to empirically test the proposed relationships between emerged concepts of the theory of *Optimising for Growth*. This study has offered an integrative theoretical model consisting of novel director attributes, board role, value adding processes and venture performance. Testing the effects of the novel attributes, alongside traditional attributes would further add to the understanding of early venture boards.

Second, a further investigation on the role of the novel concepts developed in this study in the more traditional corporate board environment, could yield new insights. It is widely recognised that studies of board and director attributes and their effects on company performance have failed to produce conclusive results (Daily and Johnson, 1997, Van Ees, Gabrielsson and Huse, 2009). Using novel director and board attributes may offer an opportunity to re-frame board-performance relationship.

Third, this research has investigated boards that are composed of parties with conflicting interests and operate in the context of extreme instability and rapid change. Process of *Optimising* was developed to explain how directors deal with their concern for the growth of the company. Essentially, *Optimising* was defined as a transformation process that

ventures, their boards and CEOs go through in their pursuit of exponential growth. Whilst this theory was developed for this specific substantive area, the application of the theory as a framework for the transformation process of organisations under conditions of extreme uncertainty and change, is another area that could be explored by future research.

It might be particularly useful to extend it to companies where directors face similar concern of growth or survival and in contexts that share similar board and challenge characteristics. For example, non-profit charity boards are often composed of stakeholder representatives, with conflicting interests. At the same time, non-profits in the UK are currently going through a period of rapid and radical change to their funding structures with public sector funds being withdrawn rapidly (Glennon, Hannibal and Meehan, 2017). Charities, as a sector, face immense pressure and challenge to go through transformation in order to run self-sustainably (Hyndman, 2017). This requires changes in mindsets of people running them. Such challenges and context are similar in nature to ventures' challenges and context. Further research into the different context would broaden the application of the substantive theory.

Fourth and final opportunity is to extend the theory to the entire process of professionalising. This research has focused on director experiences on early boards, formed post first VC investment. It yielded an indication that the process of *Optimising* restarts with the follow-on investment, as data suggested new investors re-evaluate and structure the company, its

board and founder. Since boards and ventures change significantly throughout their development period between startup and IPO, it is suggested that further research investigates different venture development cycles to discern changes in structural, cognitive, processual and behavioural components at each stage linked to VC investment cycle and professionalising efforts. This work would give insights into the full process of professionalising startup ventures (Hellmann and Puri, 2002a). In particular, this would align with the latest calls for a "framework for startup governance" and offer insights on whether "corporate law principles should be applied differently in the startup context in recognition of their special features" (Pollman, 2019, p.1).

6.8 Chapter Summary

This study has brought early boards of investor-backed ventures into a focus as an important and relevant topic both for the research field and professional practice.

Over the past decade, investor-backed private ventures have become economically significant and theoretically important (Garg and Furr, 2017). Their boards have often been associated with success and growth. However, since boards operate behind closed doors, very little is known about how they work. It seems their conduct is revealed only when serious failures come to light. Even less is known about the nascent venture boards during the critical early stages of company development.

This study provided a rich and novel understanding of the inner workings on early venture boards. Having gained access to speak with VC Investor Directors, Founders and Non-Execs about their experiences, it developed an empirically-grounded substantive theory of *Optimising for Growth*, which explained directors' chief concern of achieving exponential growth and the process they use to resolve it, whist accounting for variations. At a more formal level, the study offered an integrative model of director attributes, board role, value adding processes and company performance in the context of early venture boards. Overall, the study provided a novel perspective and proposed several contributions to knowledge and professional practice as well as opportunities for further research.

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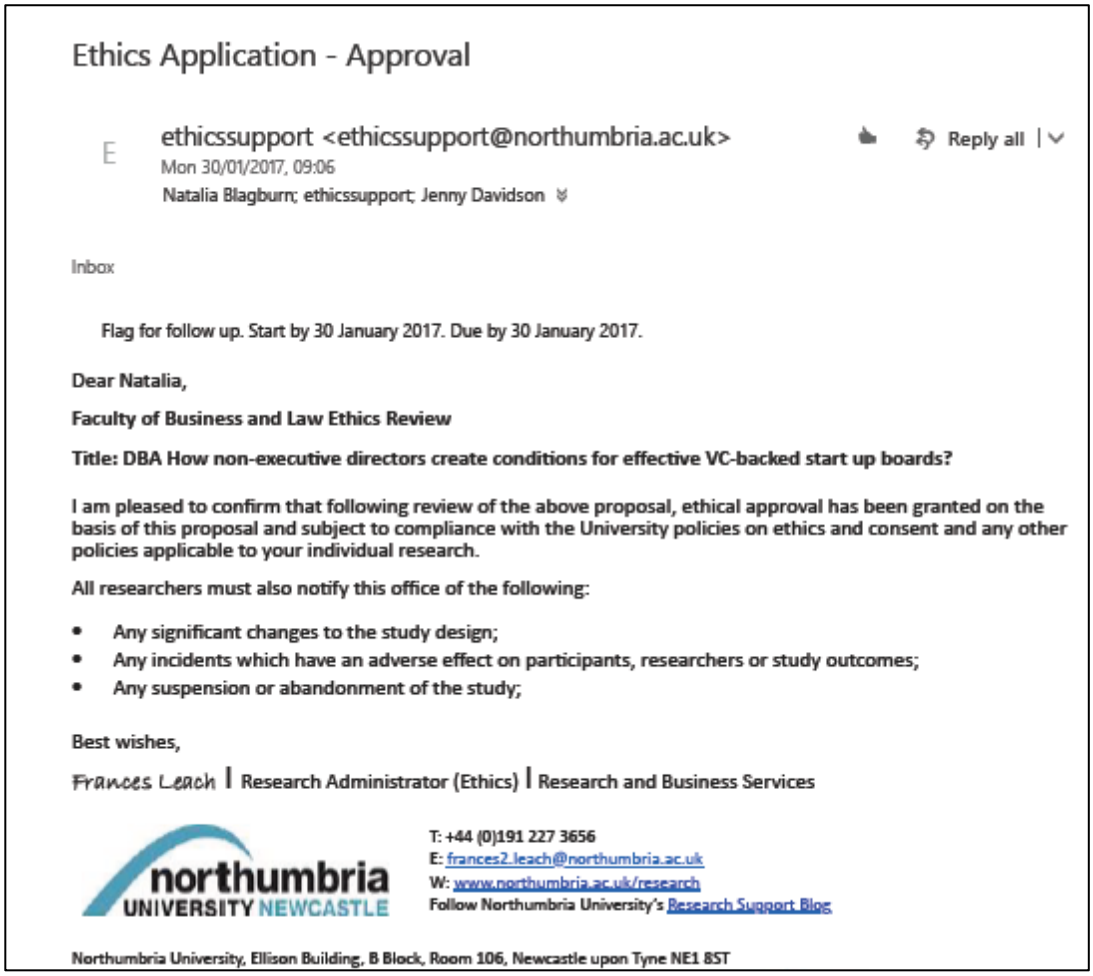
Appendices

Appendix 1 Ethical Approval Email



Ethics Application - Approval

ethicssupport <ethicssupport@northumbria.ac.uk>
Mon 30/01/2017, 09:06
Natalia Blagburn; ethicssupport; Jenny Davidson

Reply all

Inbox

Flag for follow up. Start by 30 January 2017. Due by 30 January 2017.

Dear Natalia,

Faculty of Business and Law Ethics Review

Title: DBA How non-executive directors create conditions for effective VC-backed start up boards?

I am pleased to confirm that following review of the above proposal, ethical approval has been granted on the basis of this proposal and subject to compliance with the University policies on ethics and consent and any other policies applicable to your individual research.

All researchers must also notify this office of the following:

- **Any significant changes to the study design;**
- **Any incidents which have an adverse effect on participants, researchers or study outcomes;**
- **Any suspension or abandonment of the study;**

Best wishes,

Frances Leach | Research Administrator (Ethics) | Research and Business Services

northumbria UNIVERSITY NEWCASTLE

T: +44 (0)191 227 3656
E: frances2.leach@northumbria.ac.uk
W: www.northumbria.ac.uk/research
Follow Northumbria University's Research Support Blog

Northumbria University, Ellison Building, B Block, Room 106, Newcastle upon Tyne NE1 8ST

Appendix 2 Organisation Informed Consent Form

RESEARCH **ORGANISATION** INFORMED CONSENT FORM

Faculty of Business and Law
University of Northumbria

Completion of this form is required whenever research is being undertaken by Business and Law staff or students within any organisation. This applies to research that is carried out on the premises, or is about an organisation, or members of that organisation or its customers, as specifically targeted as subjects of research.

The researcher must supply an explanation to inform the organisation of the purpose of the study, who is carrying out the study, and who will eventually have access to the results. In particular issues of anonymity and avenues of dissemination and publications of the findings should be brought to the organisations' attention.

Researcher's Name: Natalia Blagburn_____

Student ID No. (if applicable): e804756_____

Researcher's Statement:

This doctoral study will conduct qualitative research into boards of directors of Venture Capital (VC) backed companies and their effectiveness.

The participants in the research will be individuals with experience as directors of companies backed by Venture Capital funding. These will include independent NEDs, Investor-NEDs and Executive Directors (founders/CEOs).

The consent from the individual and where appropriate, an organisation will be sought and the research will only be taken forward if written consent is obtained.

Research data will collected and stored in the form of:

- Hand-written field notes, to be kept securely in a locked cabinet;
- Audio recordings of interviews, to be kept securely as password protected computer files;
- Transcripts of interviews, to be kept securely as password protected computer files.

All data will be anonymised with pseudonyms.

Data will be held for five years after completion of the project, then all computer files will be erased, and all hand-written field notes shredded.

If during the course of conducting the research it becomes clear that some participants are becoming uncomfortable with it, the research will be either adapted or stopped by agreement with those participants who are affected.

Results and insights from the research will be published in academic and industry journals, online and in a form of book chapters.

Any organisation manager or representative who is empowered to give consent may do so here:

Name: _____

Position/Title: _____

Organisation Name: _____

Location: _____

Anonymity must be offered to the organisation if it does not wish to be identified in the research report.

Confidentiality is more complex and cannot extend to the markers of student work or the reviewers of staff work, but can apply to the published outcomes.

If confidentiality is required, what form applies?

[ ] No confidentiality required
[ ] Masking of organisation name in research report
[ ] No publication of the research results without specific organisational consent
[ ] Other by agreement as specified by addendum

Signature: _____ Date: _____

Appendix 3 Participant Consent Forms

Faculty of Business and Law
Informed Consent Form for research participants

Title of Study:	How non-executive directors create conditions for effective VC-backed startup boards?
Person(s) conducting the research:	Natalia Blagburn
Programme of study:	DBA
Address of the researcher for correspondence:	Faculty of Business and Law, Northumbria University, City Campus East, Newcastle upon Tyne, NE1 8ST.
Telephone:	07584242353
E-mail:	n.blagburn@northumbria.ac.uk
Description of the broad nature of the research:	The study will explore boards of directors of companies backed by Venture Capital funding.
Description of the involvement expected of participants including the broad nature of questions to be answered or events to be observed or activities to be undertaken, and the expected time commitment:	The researcher will conduct interviews with individuals that have experience as directors of VC-backed companies. The interviews are expected to last between 1 and 2 hours. The interviews will be semi-structured, covering broadly three topics: board structure, processes and effectiveness of boards in VC-backed startup context.
Description of how the data you provide will be securely stored and/or destroyed upon completion of the project.	Data will be stored in password protected computer files or in a locked cabinet (in the case of hand-written notes). After completion of the research project, the data will continue to be stored securely in compliance with Northumbria University Ethics Policy, for a period of five years.

Information obtained in this study, including this consent form, will be kept strictly confidential (i.e. will not be passed to others) and anonymous (i.e. individuals and organisations will not be identified *unless this is expressly excluded in the details given above*).

Data obtained through this research may be reproduced and published in a variety of forms and for a variety of audiences related to the broad nature of the research detailed above. It will not be used for purposes other than those outlined above without your permission.

Participation is entirely voluntary and participants may withdraw at any time.

By signing this consent form, you are indicating that you fully understand the above information and agree to participate in this study on the basis of the above information.

Participant's signature: **Date:**

Student's signature: **Date:**

Please keep one copy of this form for your own records

Appendix 4 Interview Guides

Approach to interviews has been fully detailed in Chapter 3, Section 3.8 Interviews**;** it has followed the GT procedures:

- Carrying out Initial interviews in order to discover the participants' emergent main concern and how they resolved it (core category);
- Hold subsequent interviews based on theoretical sampling principle, i.e. to saturate categories only relating to the emergent core, sampling on analytical grounds for the data and its source (Glaser, 1998).

Approach to Initial Interviews

As per GT procedures, initial interviews were designed to explore director experiences as openly as possible, allowing participants to steer the direction of the interview so that the researcher could develop an understanding of key issues of concern they face (Glaser, 1998, Bryant and Charmaz, 2010).

The interview questions were open-ended and designed to learn as much as possible about directors' experiences, their possible concerns, reactions, observations and thoughts.

Guide to Initial Interviews

<table>
<tr><td colspan="2">INTRODUCTION</td></tr>
<tr><td colspan="2">

Thank you for taking part
Introducing research into early venture boards
Research issues, importance of better understanding what happens on venture boards, research question
Caveat the research is not writing up any individual, company or VC cases, but about patterns in experiences. Any names, potentially identifying information, will be removed prior analysis. Confidentiality
Introducing the Northumbria University's Ethics Policy and the necessity to obtain written consents (as previously emailed), highlighting the participant's right to withdraw at any time
Reminding about audio-recording of the interview to manage data

</td></tr>
<tr><td colspan="2">PART 1. EXPERIENCES</td></tr>
<tr><td>Approach</td><td>Interview Questions</td></tr>
<tr><td>In the first instance the interviews opened with 'tell me about your experiences on boards', thus 'instilling the spill' (Glaser, 1992).

Picking up on experiences mentioned, several prompts followed</td><td>1. Please tell me about your experiences on boards of investor-backed startups?
2. Could you tell me about any other experiences you had as director on startup boards?

Prompts:
• You mentioned situation x, could you tell me more about this experience?
• Was this situation resolved in any way?</td></tr>
</table>

PART 2. ISSUES OF IMPORTANCE AND HOW THEY GOT RESOLVED	
Approach	***Interview Questions***
The second part picked up on specific examples of issues within participants' experiences. Repeating what was mentioned and delving into what happened, how issues were addressed and resolved. Prompting for illustrative examples of reactions to the actions from other board members (Urquhart, 2013).	*3. What seems important and significant for you as director on boards, what's the most significant?* *Prompts:* • *Why, could you tell me more about this?* • *How did you go about addressing this?* • *Could you tell me more about how this got resolved?* • *Please tell me about the reaction of other directors?*
PART 3. CHANGE IN BEHAVIOUR OVER TIME	
The third part explored experiences of differences, what stands out and lessons Participants were prompted to provide examples from their experiences across current and past relevant boards. All participants were encouraged to speak about their own specific experiences, providing real situational examples where possible, rather than giving out an opinion or making general statements.	*4. When you look at your experiences, any boards stand out?* *Why?* *Could you give me an example of something that this board/directors do differently?* *Could you tell me more about that?* *5. What seem/ed important or significant for you as director on this board?* *Why? Could you tell me more about this?* *How do/did you go about addressing/resolving this?* *What happened? What was the outcome* *6. Could you please describe the most important lessons you learnt through your experiences? How did you discover that? Have your views changed over time?*

	Prompts: • *You mentioned xxx/situation – could you tell me more about this experience?* • *You mentioned issue – what happened? How did it get resolved? What was the outcome for everyone?* • *You mentioned situation x – what was it like when this happened?*
WRAP-UP	
• Is there anything else you think I should know to better understand what happens on boards of investor-backed tech startups? Could you tell me more about that? • Is there anyone else you can think of that I should be talking to about their experiences on boards of investor-backed tech startups? • Is there any feedback you could give me?	

Approach to Interviews via Theoretical Sampling

As soon as the main concern and its resolution (core category) have emerged during the analysis, the cycles of data collection and analysis progressed into selectively coding for categories relating to the emergent core and sampling theoretically for necessary data determined on analytic grounds (Glaser, 1998).

In line with the canons of grounded theory, the interview questions became increasingly focused according to the needs of the emerging concepts and theory (Bryant and Charmaz, 2007).

The details of the progression of the requirements for questions and sampling are provided in Chapter 4, Section 4.3 Selective Coding .

Guide to Interviews via Theoretical Sampling

INTRODUCTION (The same as Initial Interviews)
• Thank you for taking part • Introducing research into early venture boards • Research issues, importance of better understanding what happens on venture boards, research question • Caveat the research is not writing up any individual, company or VC cases, but about patterns in experiences. Any names, potentially identifying information, will be removed prior analysis. Confidentiality • Introducing the Northumbria University's Ethics Policy and the necessity to obtain written consents (as previously emailed), highlighting the participant's right to withdraw at any time • Reminding about audio-recording of the interview to manage data

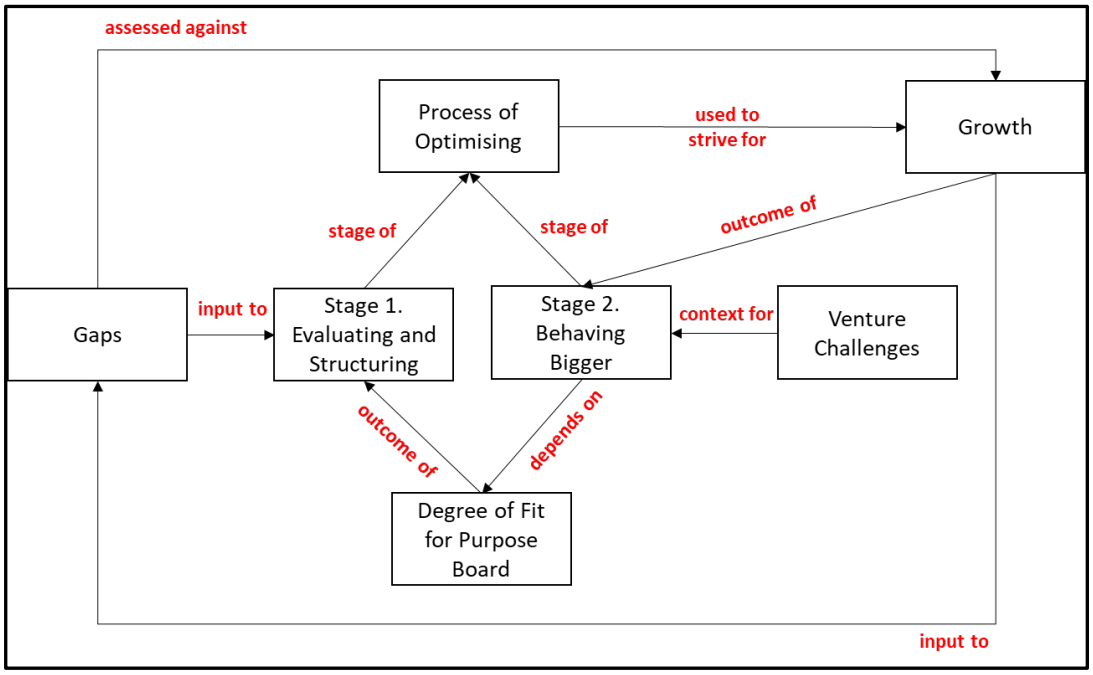
PART 1. EXPERIENCES and BACKGROUND		
Approach		***Interview Questions***
To establish rapport, ask about experiences on boards of investor-backed startups		• *Please tell me about your experiences on boards of investor-backed startups?*
PART 2. THEORETICAL SAMPLING		
Approach - Requirements for theoretical sampling have been determined based on clusters of unsaturated categories.		
Clusters of Unsaturated Categories	**Requirements for Theoretical Sampling**	***Example Questions and Prompts***
Becoming CEO Evolved CEO Getting Rid of Founder/CEO	**Details of CEO characteristics at the point of the next round of funding** **Saturate the process by which CEO is evolving, i.e. Becoming CEO and what happens if founder hasn't 'evolved' and replaced.** *Data can be sampled from sources /interviewees with a broad range of experience on boards at later stages, post next round*	• *You mentioned CEO [characteristic], could you tell me a little bit more about that? How do you know – when it changes? (Interview with VC7, VC11, NED4, NED5, NED6)* • *Could you give me an example of what happens when startup achieves some sort of exponential growth? (Interview with VC8, VC11, NED6)* • *Could you give example of founders that done it very well, to scale up, to become a professional CEO? (Interview with VC8, NED6)*
Director Behaviours	**Saturate dimensions of a range of director behaviour patterns** **Provide further data on the catalysts of change in behaviour patterns**	• *Directors help CEOs to focus their mind on exit - is this something you see happening on your startup boards? (Interview with VC7)* • *Could you give me an example of directors gaining a deep*

	Data could come from a very experienced director	*understanding of the business so the know exactly where they can help? (Interview with VC7,8)* • *Could you give me an example of achieving the balance of challenging a founder and the board and kind of not pushing it too far? (Interview with VC8, NED4)* • *Could you give me an example of engaging into proper strategic debate at the board meeting and the role of preparation of CEO/directors (Interview with VC8, VC11, NED4)* • *You mentioned in the beginning some of the board members were forceful, could you expand on that? (Interview with VC9, NED4)* • *How did you evaluate the situation? (Interview with VC10)*
Communication Approach and Style Contact Trust Director Relationships	**Saturate and clarify complex relationships between Communication, Contact, Trust and Director Relationship, shaped by properties such as Effectiveness and Changing.** *This data could come from any type of director.*	• *Could you tell me about director styles, styles of how people behave on boards? (Interview with VC7, NED4, NED5, NED6)* • *Regarding having a proper debate, are there any processes or structures that you have seen enable that? (Interview with VC8, NED6)* • *You mentioned trust and the importance of trust. In what way you have*

		seen trust develop? (Interview with VC8, VC10, NED4, NED6) • *Could you tell me about communication on your boards? (Interview with VC8,10, 11, NED4, NED6)* • *Could you give me an example of something that could shift the communication pattern? (Interview with VC8)* • *You mentioned you struggled to get other directors onboard, could you please expand on that? (Interview with VC11, NED4)*
Adding Value CEO Reaction Helping	**To saturate the context, causes and effects of Added Value so it could be better located in the stages of the process of optimising.** *This data could come from any type of director.*	• *I'd like to ask about the process of adding value to the CEO, how does that normally happen? (Interview with VC7, NED5)* • *In your experience do founders tend to ask for this help or directors see it and steer it? (Interview with VC7)* • *Does it happen during board meetings, or outside? (Interview with VC7, VC10)* • *What are the conditions of the situations where helping actually happens? (Interview with VC7, NED6)* • *How do you mentor and develop the CEO, especially if this is a first time founder? (Interview with VC8, NED4, NED5)*

		• *Could you give me a specific example of founders dealing with feedback? (Interview with VC10, VC11, NED4)*
WRAP-UP (The same as Initial Interviews)		
• Is there anything else you think I should know to better understand what happens on boards of investor-backed tech startups? Could you tell me more about that? • Is there anyone else you can think of that I should be talking to about their experiences on boards of investor-backed tech startups? • Is there any feedback you could give me?		

Appendix 5 From Data to Concepts



CATEGORY	GROWTH		
Selective Code	**Open Codes**	**Dimensions**	**Illustrative quotes**
Growth Curve Gradient	Rate of Growth	High/Low	when we started to see it grow it was very satisfying and actually from memory it finally achieved its growth curve VC1 it was still profitable, you know, but ultimately its growth curve was less steep than it had been VC4
	Speed	High/Low	get as big as you can as fast as you can F2 it could always go faster. Investors are never happy F5
	Volatility	n/a	he has built that business from 0 to £20m, to 0 and now we are down to £3m, so we've been up and down a yo-yo with that business NED4
Growing Company Indicators	Taking Large Investment Round	n/a	build the business to the point where it could do a true Series A round. When I say Series A, we are talking about £3-5m fundraise VC4

CATEGORY	GROWTH		
Selective Code	**Open Codes**	**Dimensions**	**Illustrative quotes**
	Company Size	n/a	when you go into the office e and it is suddenly like a grown-up company. There are all these people here, and you don't know what they do. VC3 the company called [NAME], is, you know, it is quite a grown up business now, turns over £15m, has 18employees in 4 different countries, has a very strong team NED3
Becoming CEO Attributes	Being Explicit with Asks	n/a	they will ask for very specific help because they can manage most things themselves because they've done it before. VC7 absolutely clear statements what they would like from their board VC8
	Taking Ownership		[it] is for the CEO to use the experience of directors to optimise the decision making of the company VC3 What you can't have is the CEO that doesn't align internally and externally, they have to be a custodian of everything that is happening. VC6

CATEGORY	STAGE 1 EVALUATING AND STRUCTURING STAGE		
Selective Code	**Open Codes**	**Dimensions**	**Illustrative quotes**
Evaluating Gaps	Post Investment	n/a	My focus from day one is obviously get in there and work out whether it is going to be fit for purpose" VC4 each executive team has different strengths and weaknesses and I think it is important to fill out the board in a way that is complimentary to the executives around the table VC1
	At Next Investment	Restructuring Boards	when we raised £1.5m they wanted a proper paid Chair who had experience in our sector F5 when you raise more money from different types, growth funds, from larger VC funds, you will then get Investor Directors onto the board who have experience of later stage funds. So that tends to work quite well, they tend to have different experience to the early stage investors. And its key that you get that step, that step is quite normal as your percentage holding in the company falls you would expect your board seat to eventually go and it gets replaced by investors who are more experienced at stage the company is at now VC7
		Getting Rid of Founder/CEO	certain people, for example, can probably run a business from 0 to £1m turnover and then they get beyond their skills set. VC4 it was time professionalise the executive team away from the founders VC1
Composing Boards	Bringing NEDs	NED Profile	we normally would try and use our board seat to bring in an external third party individual VC1 looking outside just investors for non-execs is a very valuable thing to do, because obviously any director including a VC director has a responsibility for the company but they are all obviously are acting on behalf of their own firm whereas a truly independent non-exec is a very valuable in that they don't have that loyalties skewed. They

			are responsible to the board and to the company and the shareholders and aren't influenced by valuations in the same way as it is for the investor. So I think making sure there are independent non-execs on the board is very important. VC5
	Filling Gaps	Having Templates	we have templates and things like that VC4 they should just give us a template employee handbook, things like that, contracts, as well F1
		NEDs Role in Founder's Mindset	I've gone and had a coffee and a chat with [CHAIR] and he's like look this is why they are saying that and this is why that's happening, that's why they are asking for this F2 we've been trying to get us someone to get us a mentor that we can look up to from a point of view of, someone who we think has done this before like similar to us F3
	Balancing	n/a	We had a right blend of skills VC4 different human nature at the board, which is good because you want a diverse board with everyone brining, if you can, a slightly different skill-set to the board VC7
Founder Director Profile "First Time Everything"	Experience of 'First Time Everything'	n/a	I am a first time founder F1 they are often first-time entrepreneurs VC4
	Mindset	Coachability (positive/negative)	you can normally tell quite early on before you make the investment how coachable the CEO is VC7 if they are pig headed and set in their ways and they want to do it. VC4
		Receptiveness to Advice (positive/negative)	usually they listen and usually they take the advice NED3 CEO for at least three consecutive months went on quite a tirade where he was hugely defensive that we were attaching the way he was doing it that he didn't agree the industry was changing. We all sat there dumbfounded and at that

			point we all realised this is not going to be sustainable NED1
		Susceptibility to Value Board (positive/negative)	a CEO who understands that the board is important and values the board and the board value, you know, good board members, and […another code, preparing] is going to get a lot out of it VC3 And very quickly I kind of got to the point where they were not going to embrace the relationship VC4
VC Director Profile	Right to Board Seat	n/a	You often have investor directors, they would be someone like me, we invested in the company and that gains us a seat at the table. VC7 We join the boards as a condition of our investment. Generally, not in all cases but in most cases, we'd take a board seat. VC1
	Experience	Large number of boards	I've been on about 20 boards of those investor-backed startups as independent director and as a Venture Capitalist myself VC3 Not sure how many businesses I've sat on, probably in the region of 15 to 20, different boards VC4
		Full Cycle Experience	I have seen companies from doing a first of investment round to exit and others where we had multiple funding rounds and I have seen that process as well VC7
	Portfolio Mindset	Inherent Conflict Fund vs Venture	an investor director will always have one eye on the investors and the funds they serve whereas as a director you act for the company first not the investment. VC6
		Focusing on the Winners	you worked in a VC environment, you know what's it like, you've got a big portfolio of companies and you can only spend so much time with them. NED3 95% of a VC's job is to pick the winners in the first place rather than try and manage the winners so that they can win VC3

CATEGORY	GAPS	
Selective Code, Property	**Open Codes, Properties**	Illustrative quotes
Structural	Systems and Processes Gaps	in terms of its systems, processes and controls, it was still very much a small company VC4 from the point of view of governance, formality, we were not very formal F4
	KPIs Gaps	what are the right metrics that are going to give you advance notification of, you know, are we looking like we are going to be on track or not VC5 He examined the KPIs and he decided whether they were the right KPIs VC4 The ones that are self-aware enough to go and do some research themselves about what are the right metrics to be tracking VC5
	Skills and Experience Gaps	Each executive team has different strengths and weaknesses and I think it is important to fill out the board in a way that is complimentary to the executives around the table, making sure you are filling any skill gaps or if someone is young and inexperienced, make sure there is some..., one there who can be a chair, mentor type of person, if it someone that doesn't have industry experience, make sure there is someone on there with good networks and into the industry that's relevant. It's working out what the board needs to complement the executives. The executives, generally, they are what they are, so it is a matter of building the board to fit around VC1 Then we are going to really get down by doing the jobs about where the gaps are, so we know we need a non-exec with marketing experience, so we started looking for that type of person, and then we are just starting to look at wider mix of people F5

Cognitive	Understanding Governance	The number one priority is to make sure the CEO understands what's the function of the board is and a lot of them don't VC3 In the very early stages a lot of the CEOs don't really value the board meetings and the input of the board VC3

CATEGORY	FIT FOR PURPOSE BOARD		
Selective Code, Property	**Open Codes, Properties**	**Dimensions**	**Illustrative quotes**
Board Purpose	Monitoring	n/a	the governance part of it, is really directors and shareholders checking up that the company has been doing a good job and the CEO has been doing a good job, which is the governance part of it VC3 But those investor positions are really about monitoring the performance of the company itself VC8
	Strategic Help	-	making sure it's being more strategic, making sure the companies are thinking occasionally strategically rather than just tactically all the time. VC3 So the business was always focused on the strategy always focused on the direction VC4
Board Mindset Alignment	-	Aligned-Misaligned	a common understanding on board that they are there to help, rather than to check up what's happening. And if you manage to achieve that you've probably got a very effective board VC3 I think what's most detrimental is where the members of the board are not properly aligned VC5
Board Meeting Quality	Getting Board Pack Right	Quality of Information High-Low	they've actually have got really good reporting systems in place VC5 In other words I don't get landed with 400 pages of excel monthly, which nobody is going to read. VC8
		Notice Period Timely-Late	Obviously providing information well in advance and clear terms VC8 poor notice period in order to read it, a lot of detail does not get read it at all VC3
	Level of Preparation	Prepared-Unprepared	The best ones are the ones that do their home work VC6

			I try to avoid the boards where it is what I call a 'wine and cheese' non-execs who just turn up once a month, they read the papers if you are lucky, the day of the meeting and if you are unlucky, actually during the board meeting itself VC6
	Strategic Discussion Quality	High-Low	all over sudden the quality of the board and the quality of the discussion is really good VC4 There was no quality discussion, again linking directly back to how poor the information was and how untimely it came out, they would just talk from an operational perspective, so it was very much a management meeting only. VC4

CATEGORY	STAGE 2 BEHAVING BIGGER STAGE		
Selective Code	**Open Codes**	**Dimensions/ Properties**	**Illustrative quotes**
Adding Value	Quality of Value Add	High/Low	someone is being proactive, and opened doors and brought something and done something and it is measurably beneficial to the company. There is over and above what you would expect. VC6 When we did do that what we found was the other people around the table didn't necessarily have more than a common-sense view in terms of they also didn't have any experience F5
	Type of Value Add	Opening Doors	continuing of help to the CEO of the company through the informal requests for help. Like, do you know X, Y, Z at this VC fund because I'd really like to speak to them VC7
		Providing Strategic Input	strategic things, they are basically when the CEO needs to tap into the experience of the board and making sure they optimise the company for success VC4
		Dealing with Issues	helps with services like recruiting or they are doing education for a team and that kind of thing VC5
		Challenging	I kind of welcomed it, the business needed that degree of challenge VC4
		Sounding Board	And it works very well with him, we just chat very informally. He tell me what's going on and along the way, I will offer advice if I've come across a scenario like the one he is coming across. Quite often the problems that he is facing, I've seen these problems before in businesses, either in ones I've been involved in the past or the ones I'm involved with now. So that's quite informal NED3
		Focussing on the Bigger Picture	it forces you to look beyond the immediate day to day and look at the big picture with people who do spend time looking at other

			companies and you know have a wider industry experience NED1 if I'm looking at it what would I like from a Chair, is when you are in a very small company, the reality is are over 80% operational so the job of that person in my eyes has always been to grab me by the stuff of my neck, pull my head out of the detail and then start focusing on the big issues and then to support with the agenda in terms of 'I think these are the main three things you need to talk about'. F5
		Mentoring Founder	I think probably the biggest role we played, kind of, mentors to the executive team, sorting out issues as they arose VC1 Personally I see my job as more of a coach VC3
	Delivery of Value Add	Not telling what to do / Telling what to do	you've got to let them get on with it. Because if you interfere you are just interfering. You might as well run it yourself, and that's not what I do anymore NED3 that was under the guidance of the board, telling us that we should very much focus now on one person, and we kind of stopped servicing some of the other customers F1
	Obtaining the Value Add	Sought/ Not Sought	one of the key skills for any founder is how to use his or her board to the best possible effect, because sometimes founders don't really tell their directors what they want from them. VC8
Communicating	During the Board Meeting	n/a	most VCs, I think it is the truth to say, don't really operate like that, they tend to want board meetings. VC3 the only real interaction once you are on board, is at the board meeting. NED3

	Ongoing Basis	Touch Basing	[CHAIR] calls in on a regular basis. At least once a week, or we pop for a coffee or anything like that. It's strange, we even talk about our [ACTIVITY], you know, cos he [KNOWS IT] as well, we'll talks half about the business and half about our own [ACTIVITY]. F2
		Avoiding Surprises	if you are in touch with the CEO, you don't get surprised VC3 One of the key things we always tell our founders is we don't want bad news and we'd rather hear as soon as they arrive. And that's, good founders know that communication with their board early is the best way for early stage businesses because you know that business plans are not going to survive contact with reality VC8
		Deep Understanding of the Business	what I'm trying to do is to have a deep enough understanding VC3 just knowing that little bit of detail about what we are going to do you know gives me a bigger insight and then I can use that detail and relate it to my past experiences and hopefully I can give them proactive cost-effective advice. Well, it's very cost-effective because I never get paid for it NED3
	Trust	n/a	we've got a very trusting relationship F2 this is, you know, two way relationship, it is not only them with you, but it is also you with them as well. And I think there has to be trust and I mean you have to trust them if you want to get something out of that. Because if there is not then you are always going to be 'playing defence' and you know, you are not making the most out of it VC4

CATEGORY	VENTURE CHALLENGES	
Selective Code, Property	**Open Codes, Properties**	**Illustrative quotes**
Challenges Characteristics	Similar	A lot of the things that you and I have seen as venture capitalist, we seen time again as we are exposed to many different companies that the same things come up VC6 especially for a startup, that is facing all sorts of challenges VC8
	Inevitable	There will be problems in a startup, that's what being a startup's like, it's difficult, it's hard, and there are a lot of problems to be resolved VC3 there are a lot of moving parts, there are a lot of things that can change, the strategy can fundamentally change F5
Company Challenges	Performance	we were growing very very quickly and revenues don't always line up and projections are always wrong F6 wasn't part of a business plan in the beginning, so they change it because we are currently not growing quick enough F3
	Commercialisation	struggled to commercialise it and turn it into revenue. VC1 Over and above that growth companies will simply need to get new customers VC6
	People Issues	when I saw there was a dissent brewing in the different direction NED1 there was a particular investor that didn't see eye to eye with the chair. So he was trying to undermine him behind his back. Then always do this text or send this very emotional emails to a couple of people, but he would never say this face to face. So he was very political, didn't like, although he would create, what's the good way to describe this, people that don't like confrontation but cause confrontational issues but can't deal with them because they don't have the confidence to have the discussion themselves F5

	Funding	it finally achieved its growth curve after nearly running out of money, so it was a big relief to be honest VC1 we ended up having to do faster and smaller round. Which ended slightly as a down round if you like F2
Founder Challenges	Self-doubt	I am a first time founder, so a lot of the time I am wondering whether I am even putting my attention in the right things right now F1 didn't want to look a fool, and so look to [CHAIR] to kind of 'what do you do, do I need to just', I really did, cos you can't help but have that self sort of doubt can you F2
	Tunnel Vision	You know the team is involved every day [bad reception] Get a lot of tunnel vision in terms of the short term VC5 hey are loosing sight of what they are trying to achieve VC4